Creative Global Investments

Thursday, May 28th 2015

Sabine CJ Blümel
Automotive Research

Creative Global Advisers (UK) LLP

sblumel@cg-inv.com
Tel +44 7785 301 588

Creative Global Investments LLC
115 East 57th Street
11th Floor
New York, NY 10022
Tel +1 212 939 7256

Creative Global Investments/Europe
5, op der Heed
L-1709 Senningerberg
Luxembourg
Tel +352 2625 8640

Objectivity

Integrity

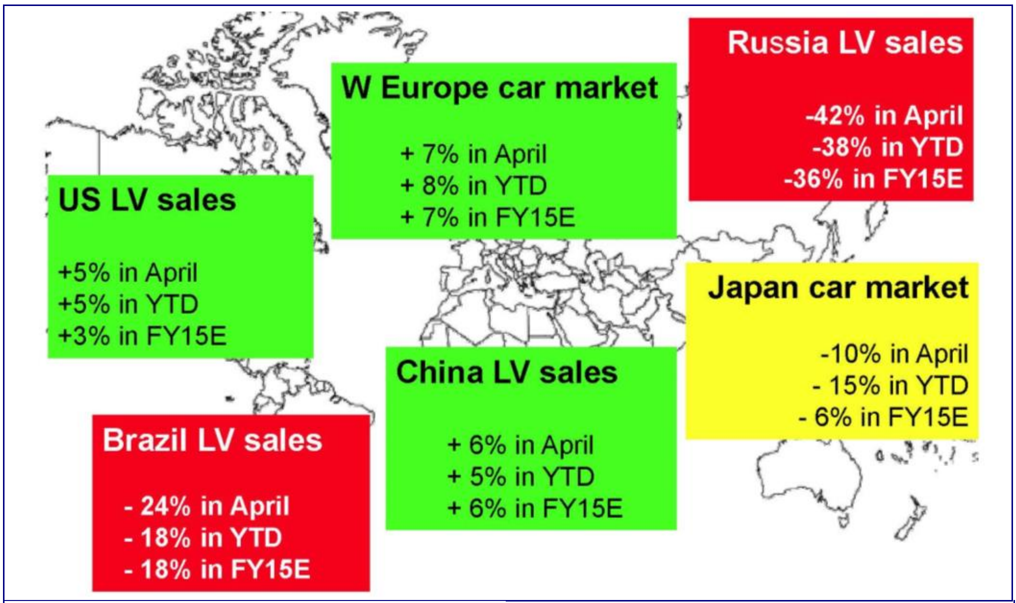
Creativity

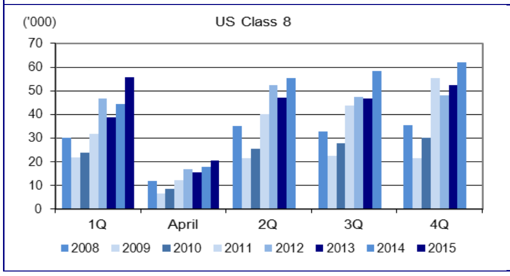
Global Automotive Demand Atlas

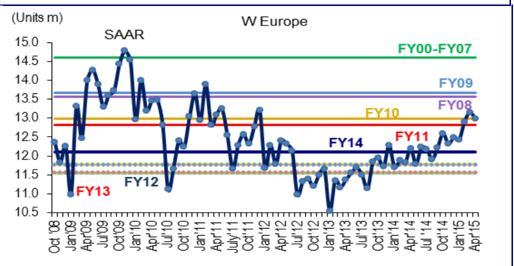
May 2015 edition

Global light vehicle markets

+2% in April
+1% in YTD
+2% in FY15E

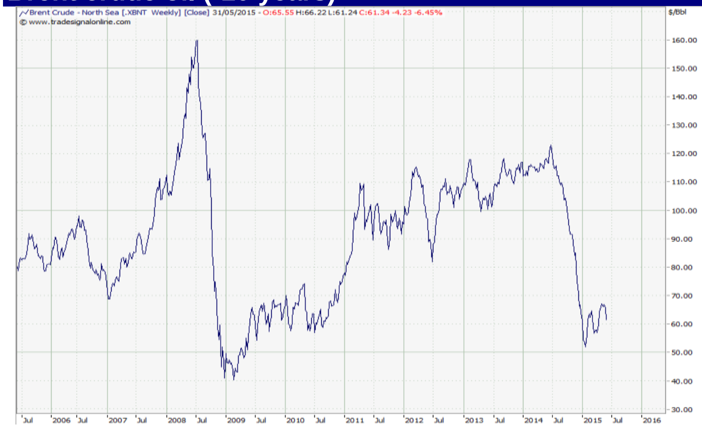






Contents

Brent crude oil (-10 years)



S Source: tradesignalonline.com

USD trade-weighted index (-10 years)

Source: Board of Governors of the Federal Reserve System (US)

Global LV markets

+1.6% in April

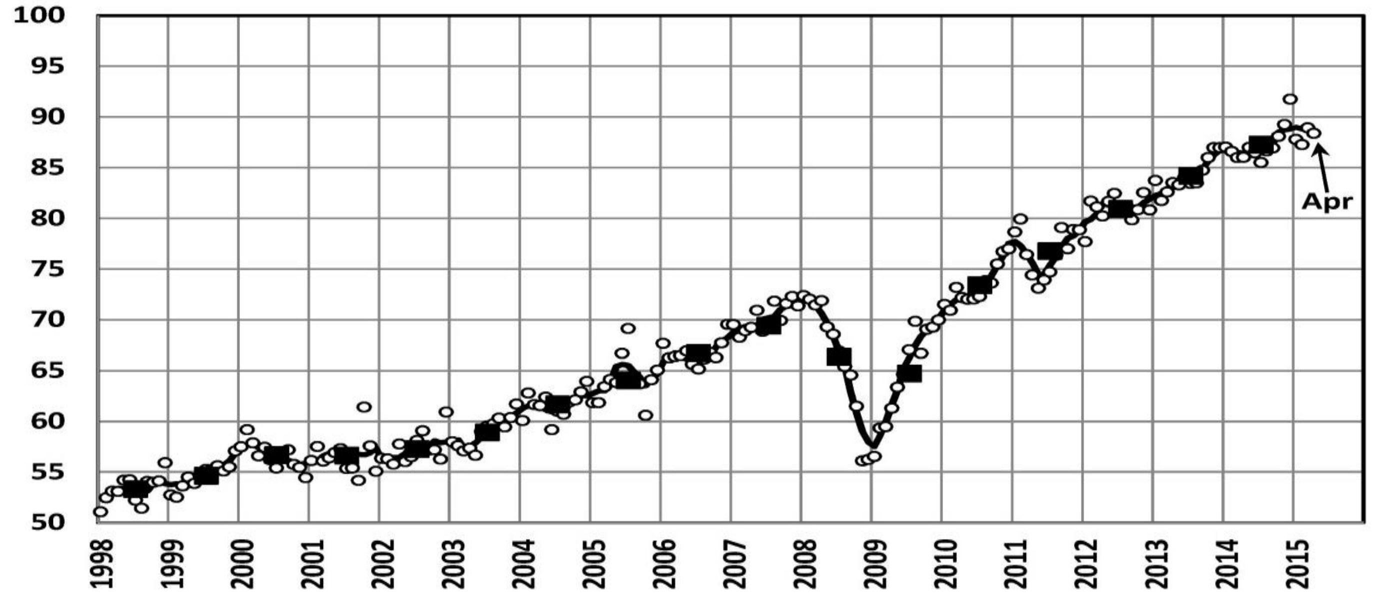
+1.3% in YTD

In April, global light vehicle sales increased 1.6% to 7.29m units, after 2.0% in March and 1.5% in 1Q15, resulting in a 1.3% increase to 29.43m YTD. This follows an increase by 3.7% or 3.11m to 87.52m in FY14. LMC Automotive (LMCA) calculate that in April the SAAR (seasonally adjusted annualised rate) was 88.35m units/year, in line with March, but well below January's 89.4m, and 88.07m YTD. The global LV sales that have been stable so far during 2015 are considerably weaker than a surprisingly strong December SAAR of 92.1m/year, confirming the suspicion that the latter was due to year-end marketing pushes in key markets.

+1.9%

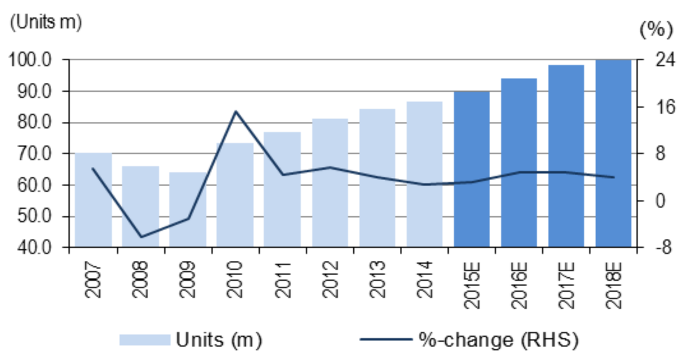
For FY15E, we expect a global LV market of 89.2m, implying an increase by 1.9% or 1.7m. The growth rate is thus expected to almost halve in 2015E, from 3.7% in FY14 and 4.0% in FY13.

Global LV sales – monthly SAAR (1998-Apr'15)



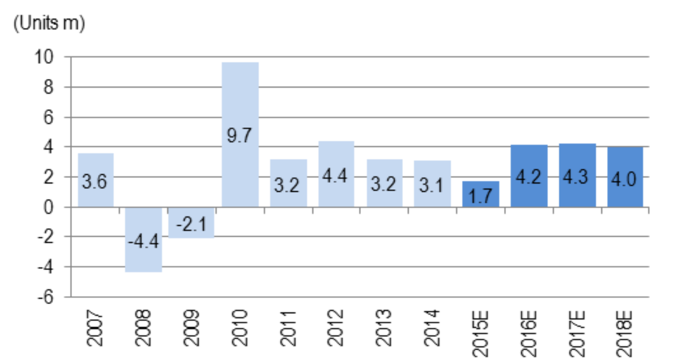
Source: LMC Automotive

Global LV sales - (2007-2018E)



Source: LMC Automotive and CGI estimates

Growth - global LV sales - (2007-2018E)



Source: LMC Automotive and CGI estimates

US LV sales

+4.6% in April

+5.4% in YTD

In April, US light vehicle sales increased 4.6% yoy to 1.45m, after 0.6% in March, resulting in a 5.4% increase to 5.40m YTD. Adjusted for the number of selling days (26 in Apr'15 & 26 in Apr'14 and 25 in Mar'15), the market was up 4.6% yoy and down 9.5% mom in April and up 5.4% yoy in YTD. According to LMCA, the April SAAR of 16.5m units/year was up 0.5m yoy, but down 0.5m from 17.1m in March and 6% lower than August's 17.5m that had been the strongest month since January '06.

Retail sales have driven recovery

Retail sales that have been the dominant driver since May 2012 have lost momentum recently. In April, the retail SAAR of 13.4m was down 0.1m mom/from March's 13.5m and up 0.1m yoy. Sharply lower gas prices have continued to fuel the outperformance of light trucks that advanced 9.4% in April and 10.1% in YTD, to 3.01m or 55.8% of total market. Sales of SUVs were up 15.0% in April and 12.6% YTD, at 1.92m or 35.6% of the market. The improving mix has resulted in a further increase in average transaction prices by 1.1% yoy to USD 32.2k in April, after having hit an all-time record of almost USD 34.4k in December. (See pp. 4-5.)

Slow-down to 3.1% growth in 2015E

In FY15E, the LVs market is expected to grow 3.1% to 17.01m units, representing a considerable slowdown from the 5.9% increase to 16.49m seen in FY14. Positive factors that had led to upgrades during 2014, such as economic recovery, consumer confidence, a stock market rally, and plunging gas prices have lost momentum or gone into reverse (such as gas prices and consumer confidence). The LV market has become increasingly dependent on generous consumer credit conditions, with easy access and extended loan terms. The steady growth of the average term of loans and the rising share of loans with duration longer than 72 months is a growing concern and could hamper future sales growth.

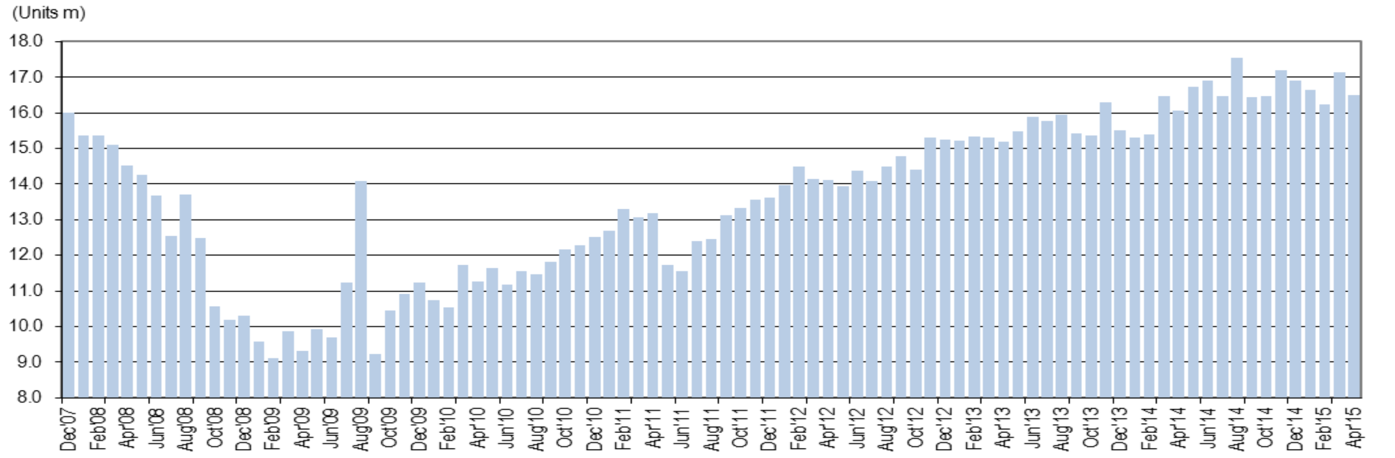
Stabilisation from 2016E onwards

From 2016E onwards, the US market is expected to stabilise at high levels, with a CAGR of less than 1%; this is based on the assumption of GDP growing at an annual 2.5-3.0% and supporting factors such as replacement demand, growing household wealth, and new household creations.

Big Four

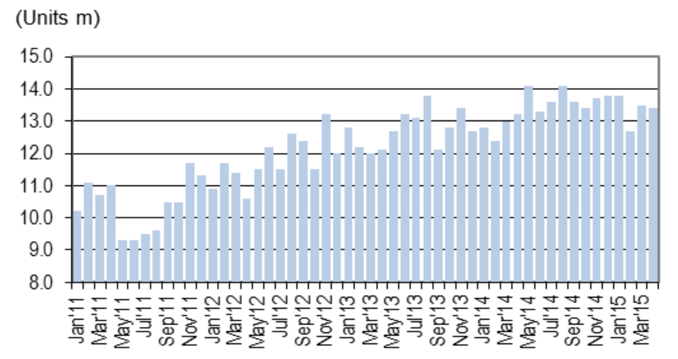
At the **GM group**, sales were up 5.9% in April, resulting in a 5.5% increase to 0.95m YTD or a 17.6% share. Sales at the **Ford group** were up 5.4% in April and up.2.9% to 0.80m or 14.9% in YTD with the change-over of a key product such as the F-150 pickup truck starting to have a positive impact on sales and margins. **Toyota**'s group sales increased 1.8% in April and 8.1% YTD, to 0.78m or 14.4%. **FCA** generated increases of 5.8% in April and 6.1% to 0.70m YTD, keeping its market share at 12.9%.

US LV sales – monthly SAAR (Dec'07-Apr'15)



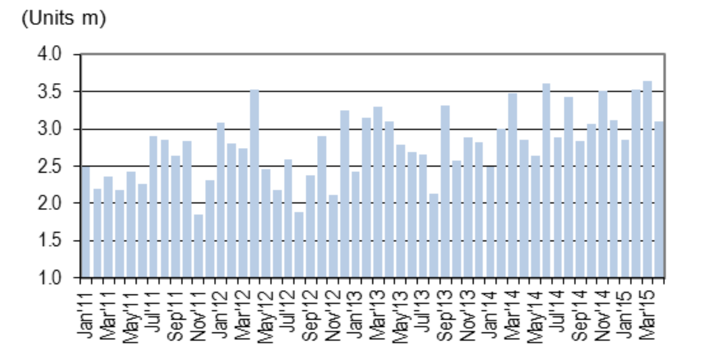
Note: The estimated seasonal factors for the SAAR calculations for July 2013 – June 2014 are restated due to the recent update of seasonal factors from the U.S. Bureau of Economic Analysis (BEA). Source: Autodata

US Retail LV sales – monthly SAAR (Jan'11–Apr'15)



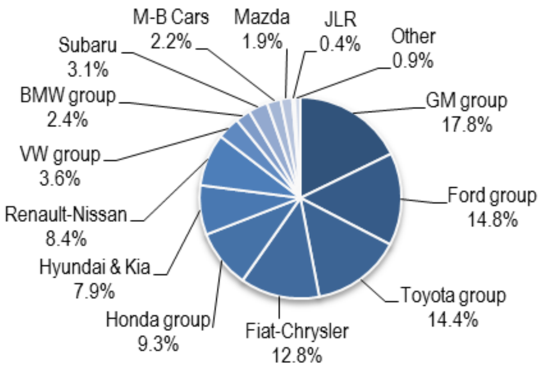
Source: LMC Automotive

US Fleet LV sales – monthly SAAR (Jan'11–Apr'15)



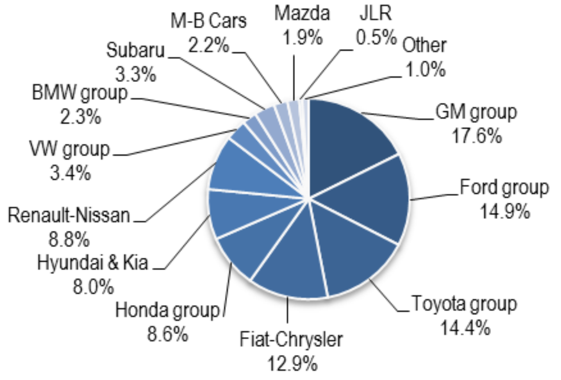
Source: LMC Automotive

US – LV market by OEM (FY14)



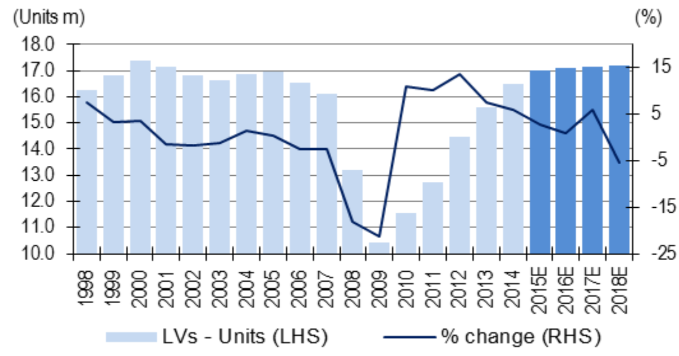
Source: LMC Automotive and CGI calculations

US – LV market by OEM (Jan-Apr'15)



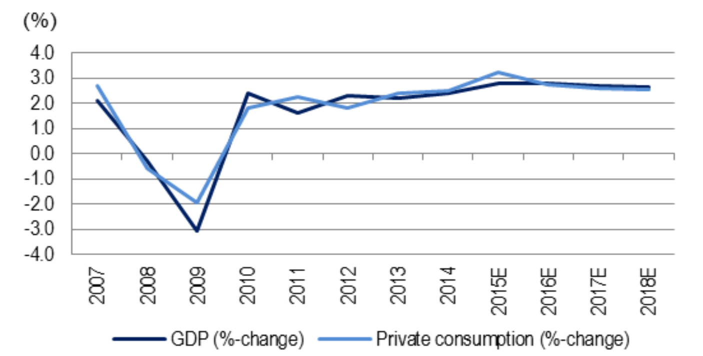
Source: LMC Automotive and CGI calculations

US LV sales (1998-2018E)



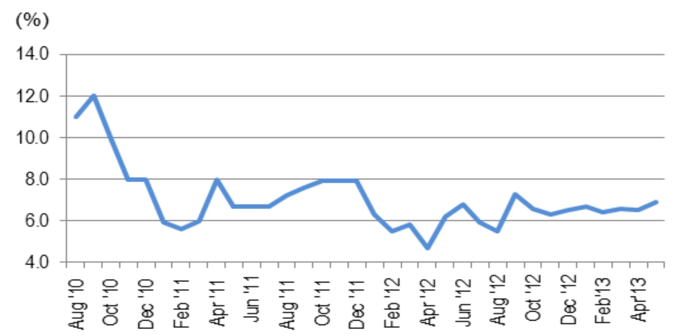
Source: LMC Automotive and CGI estimates

US – real GDP and private consumption (2007-18E)



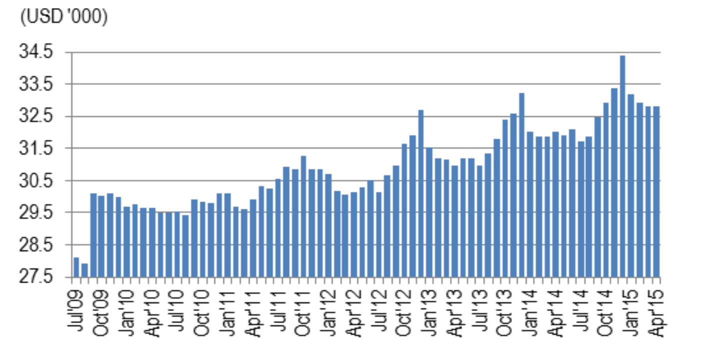
Source: Oxford Economic, IMF and CGI estimates

US LV – avge. discount from MSPR (Aug'10-May'13)



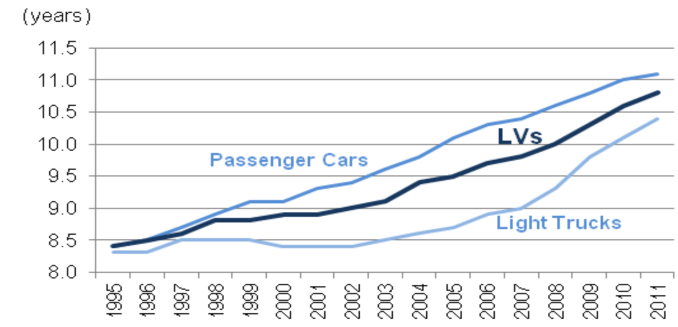
Source: TrueCar

US LV market – avge. transaction price (Jul'09-Apr'15)



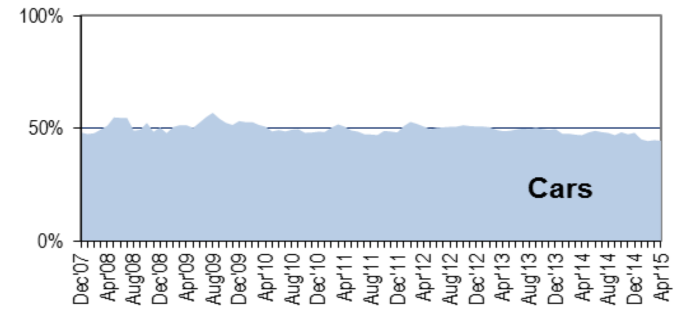
Source: PIN (Power Information Network by J.D. Power and Associates)

US LV population – average age (1995-2011*)



(*) July of respective year. Source: Polk

US LV sales - split cars & trucks (Dec'07-Apr'15)



Source: Autodata

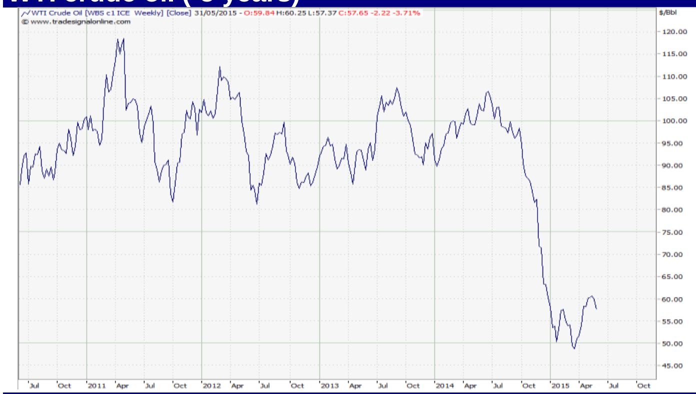
US – Gas retail price (USD/US gallon) (Jan'07-May'15)

Weekly U.S. All Grades All Formulations Retail Gasoline Prices (Dollars per Gallon) Source: EIA

US – Diesel retail price (USD/gallon) (Jan'07-May'15)

Weekly U.S. Diesel (On-Highway) - All Types (Dollars per Gallon) Source: EIA

WTI crude oil (-5 years)

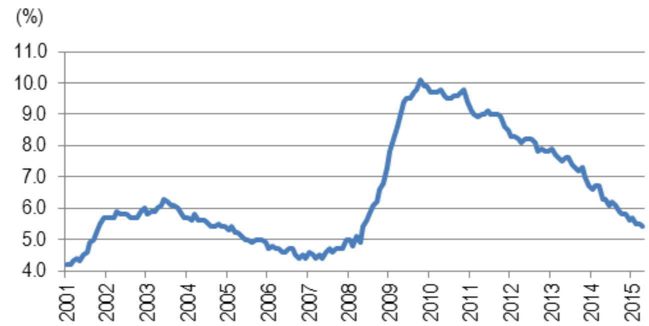


Source: tradesignalonline.com

Brent crude oil (-5 years)

Source: tradesignalonline.com

US – Unemployment rate (Jan'01-Apr'15)



Source: Bureau of Labor Statistics

US – Consumer confidence (Jan'08-May'15)

Source: Thomson Reuters/University of Michigan

Western Europe car market

+6.8% in April

+8.3% in YTD

In April, WE passenger car registrations increased 6.8% yoy to 1.13m units, after +10.9% in March, resulting in an 8.3% increase to 4.53m YTD. This follows a 4.7% increase to 12.10m in FY14, the first increase after six consecutive years of decline. In April, the SAAR dipped again to 12.99m, down 1.2% mom/from March's 13.15m, the best result since December 2011 (13.21m). Over the past 30 months, the SAAR has improved by some 25%, from an exceedingly low SAAR of 10.55m in January 2013. Although YTD's SAAR of 12.86m was 6.3% better than FY14's 12.09m, it remained almost 12% below the long-term pre-crisis average of 14.6m units. (See p.7.)

All Big 5 advance strongly YTD

Germany +6.4%

France +5.6%

UK +6.4%

Italy +16.2%

Spain +23.9%

Germany, Western Europe's largest car market by far grew 6.3% in April and 6.4% to 1.05m YTD. YTD's SAAR of 3.24m was 6.8% better than FY14's 3.04m and less than 2% below the LT pre-crisis level of 3.3m. **French** car registrations increased 2.3% in April and 5.6% to 0.65m YTD. At 1.90m, YTD's SAAR remained 9% below the pre-crisis 2000-07 level of 2.09m. In the **UK**, the car market advanced 5.1% in April and 6.4% to 0.92m YTD, making it the only major European market that has grown consistently over the past 38 months. YTD's SAAR of 2.51m was 2% above the long-term pre-crisis average of 2.45m units. YTD, **Italian** car registrations increased 16.2% yoy to 0.58m units and the SAAR of 1.55m, though up 14% on FY14, remained 34% below the 2.34m LT pre-crisis trend. In **Spain**, improving consumer confidence and the PIVE incentive scheme drove the car market's 23.9% increase to 0.35m units. At 1.0m, YTD's SAAR was 16% better than FY14's 0.72m, though remained 33% below pre-crisis trend. (See discussion for the Big Five on pp. 9-13.)

+6.6% in FY15E

Although underlying demand has been on an uptrend since hitting a low of 10.55m in January 2013, the recovery was slow and intermittent until 4Q14, and has gained momentum since the beginning of this year. A weak euro and lower energy prices have greatly enhanced the macro-economic fundamentals In the Eurozone. After two years of contraction, GDP growth in the Eurozone is expected to accelerate from 0.9% in FY14 to 1.6% in 2015E. The UK economy is expected to decelerate only moderately, from FY14's 2.8%. Growth in the WE car market is set to accelerate from 4.7% in FY14 to 6.6% and 12.91m in 2015E. In FY15E, all major markets are expected to contribute to the 0.8m increase in unit sales, whereas in FY14, the UK, Spain and Germany had been the main contributors to the 550k increase. However, Europe is faced with challenges that range from Greece's future within the Eurozone, UK's future within the EU, and Russia's action vs. the Ukraine. Despite the improved outlook and upgrade for 2015E, the WE market is unlikely to ever regain its pre-crisis 2007.

Only limited reversal of collapse in pricing discipline in the short term

However, we continue to caution that the recovery in the WE car market after six years of recession is overshadowed by OEMs expecting to be able to increase pricing only slowly and indicating that discounts from sticker prices in excess of 10% are still widespread. Although the horrendous competitive pressures originated in the crisis-hit Southern European markets, they have been spreading to the better performing Northern European ones, a trend that has intensified since mid-2012. In addition to record discounts, special deals and cheap financing, OEMs and dealers have increasingly resorted to tactics such as pre-registering.

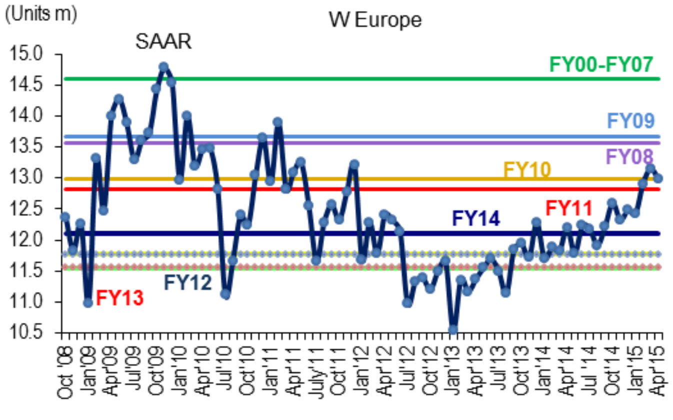
Winners – premium and discount brands

Among the car manufactures, the premium manufacturers (mainly BMW, Mercedes and VW's Audi) and, to a lesser extent discount brands have been structurally the best performers in W Europe, and should continue to outperform in the medium and long term. The OEMs most vulnerable in the crisis had been PSA, the Renault brand and the European operations of Fiat, GM and Ford. Their vulnerability is only partly due to their geographic footprint and thus exposure to the Southern periphery. However, in the short term, they should continue to be main beneficiaries from the accelerating recovery in Southern Europe. (See charts page 8.)

Polarisation in demand

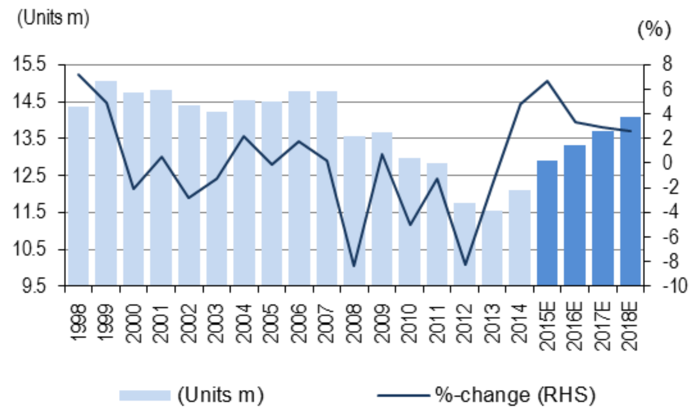
The trend of polarisation in demand into premium and discount brands and products has been intact for the past 20 years and intensified during the prolonged crisis. Driving forces have been the downsizing on the part of the premium brands and an improvement in quality of discount branded products.

W Europe – monthly SAAR[1] vs. trend (Oct'08–Apr'15)



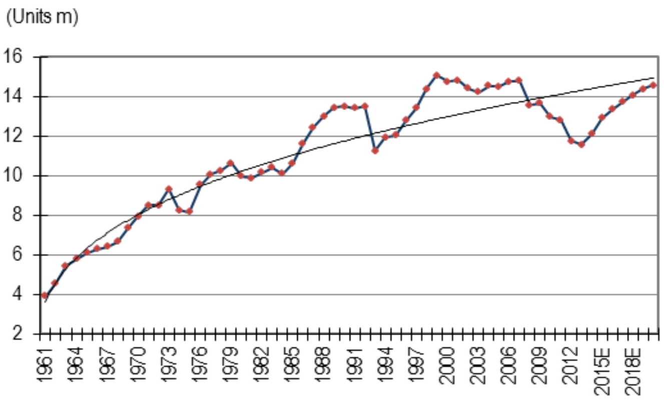
(1) SAAR according to calculations by LMC Automotive. Source: ACEA, LMC Automotive , CGI calculations

W Europe – pc registrations (1998-2018E)



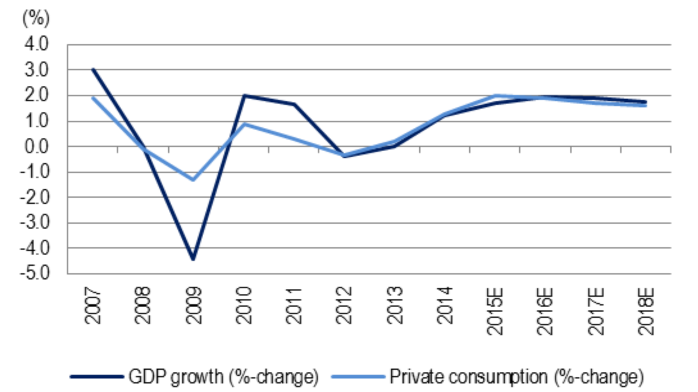
Source: LMC Automotive and CGI estimates

W Europe – pc registrations (1961-2020E)



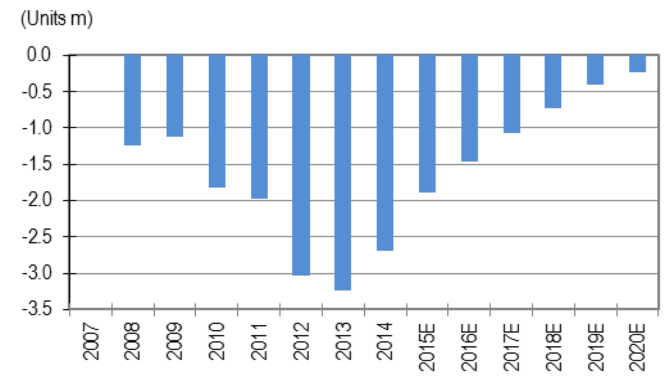
Source: ACEA, LMC Automotive and CGI estimates

W Europe – real GDP and priv. consumption (2007-18E)



Source: Oxford Economics and CGI estimates

W Europe – depth of recession – 2008-20E volume decline vs. 2007



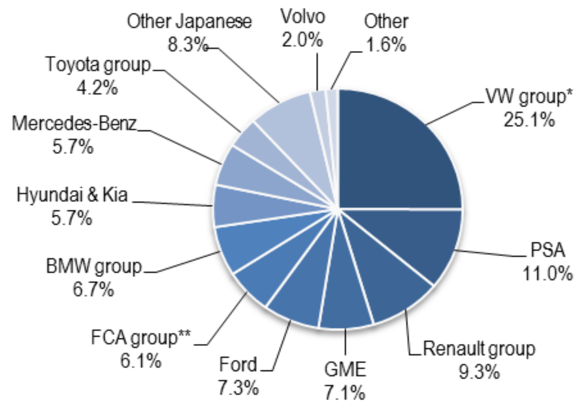
Source: LMC Automotive and CGI estimates

W Europe – current recession in historic context

	Depth[1] (Units m)	(%)	Duration (years)	Trend growth rate (%)
1970 - oil shock	-1.15	-12.4	< 3	5
Early 1980s recession	-0.75	-7.0	~ 6	3-4
1993 recession	-2.26	-16.8	~ 5	2-3
Current crisis (E)	-3.24	-21.9	**>~14**	**1-2**

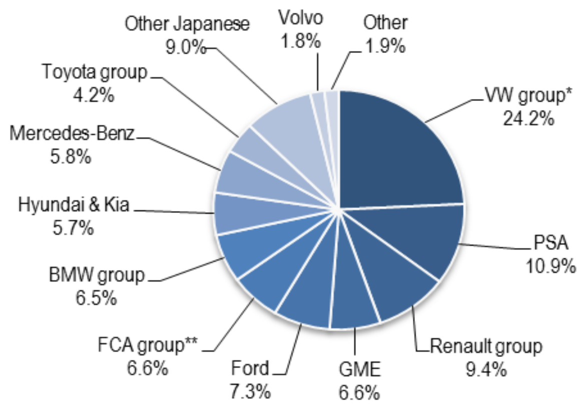
Source: LMC Automotive and CGI estimates

W Europe – pc market by OEM (FY14)



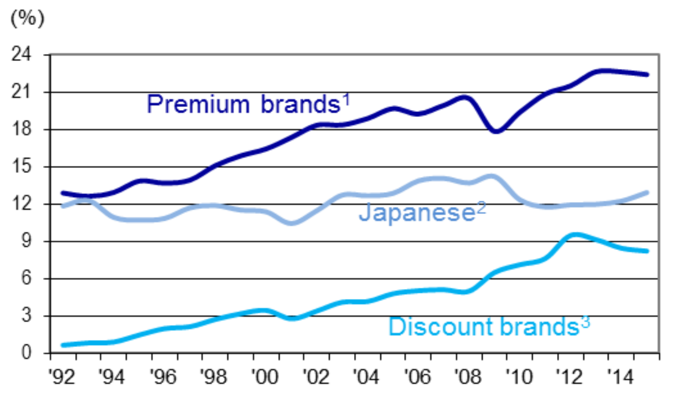
(*) VW group incl. Porsche. (**) Fiat group incl. Chrysler and Jeep. Source: Association Auxiliaire de l'Automobile, ACEA and CGI calculations

W Europe – pc market by OEM (Jan-Apr'15)



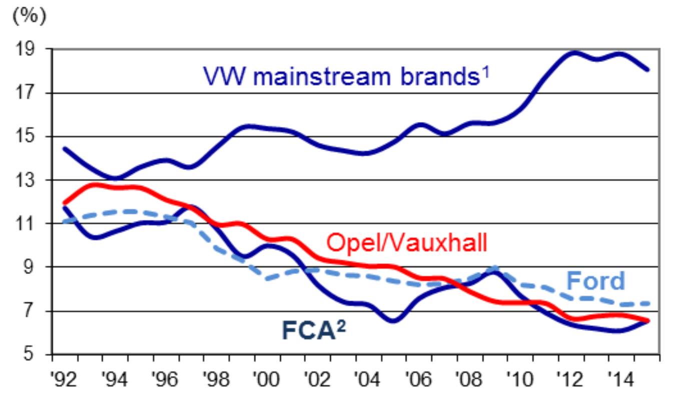
(*) VW group incl. Porsche. (**) Fiat group incl. Chrysler and Jeep. Source: ACEA and CGI calculations

Premium brands, Japanese and discount brands – WE market share ('92-'15*)



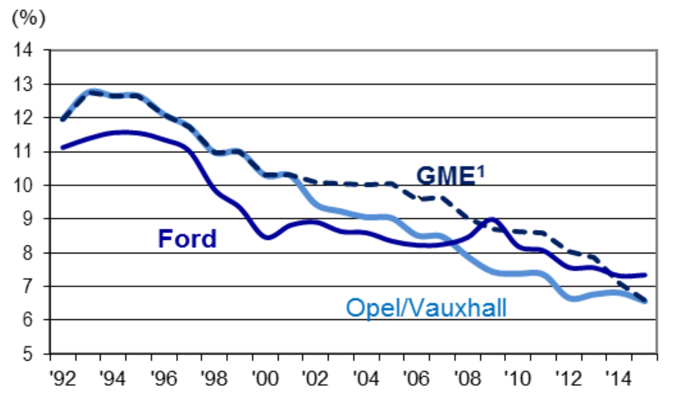
(1) Premium brands: BMW, Mini, Mercedes-Benz, Smart, Audi, Lexus, Porsche, Jaguar, Land Rover, Volvo & SAAB and super-premium brands. (3) Discount brands: Kia, Hyundai, GM's Chevrolet, and Renault's Dacia. (2) Exl. Lexus (*) YTD=Jan-Apr. Source: Association Auxiliaire de l'Automobile, ACEA, CGI calcs

Mainstream brands: VW group excl. Audi, Opel/Vauxhall, Ford, FGA – WE share ('92-'15*)



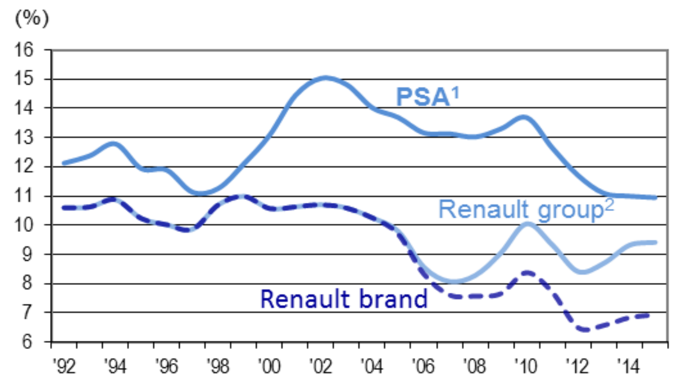
(1) VW mainstream brands: VW, Seat, Skoda. (2) FCA: Fiat, Lancia & Alfa Romeo. Since 2012 also Chrysler & Jeep. (*)YTD=Jan-Apr.ource: Association Auxiliaire de l'Automobile, ACEA, CGI calculations

Ford and GME – WE share ('92-'15 *)



(1) GM Europe: Opel, Vauxhall, Chevrolet and other US GM brands; does NOT incl. SAAB. (*)YTD=Jan-Apr. Source: Association Auxiliaire de l'Automobile, ACEA, CGI calculations

PSA and Renault group – WE share ('92-'15*)



(1) PSA: Peugeot and Citroën brands; (2) Renault group: Renault and Dacia brands. (*)YTD=Jan-Apr. Source: Association Auxiliaire de l'Automobile, ACEA, CGI calculations

+6.3% in April

+6.4% in YTD

Germany

In April, the German passenger car market increased 6.3% to 291.4k units, after 9.0% in March, resulting in a 6.4% increase to 1.05m YTD. This follows a 2.9% recovery to 3.04m units in FY14, after two years of decline. In April, underlying demand strengthened again, to a SAAR of 3.27m, up 3.8% mom/from March's 3.24m and thus remained only 2.6% below February's 3.35m, the strongest month since April 2012's 3.45m. Indeed, YTD, the SAAR was a strong 3.24m, 6.8% better than FY14's 3.04m and less than 2% below the LT pre-crisis level of 3.3m.

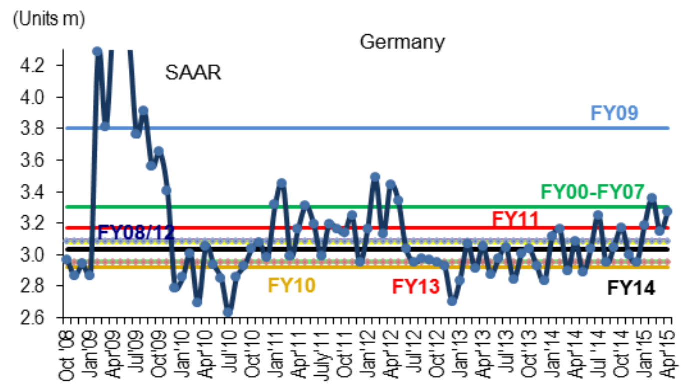
Retail share continues to decline to 34.2% YTD

The strong performance YTD indicates that the German market is, at long last, in solid recovery mode, which is in sharp contrast to a patchy FY14, when four months had a SAAR of less than 3m. We understand that as a consequence there is some, moderate improvement in the pricing environment in the German pc market. However, the quality of the market has continued to deteriorate with fleet/business sales increasing 10.8% to 0.69m YTD, whereas retail sales were down 1.1% at 0.36m or 34.2% YTD, after 36.2% in FY14. The relatively strong performance YTD supports the expectation that in FY15E, the German market will grow 4.4% to 3.17m units, but this is still 5% short of the 2000-07 pre-crisis level of 3.3m.

+4.4% in 2015E

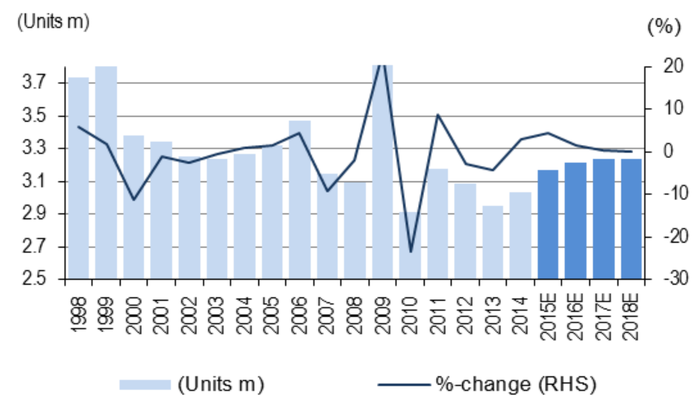
A dramatically lower oil price and a weaker euro have greatly improved Germany's macro-economic fundamentals and GDP growth gained momentum during 2H14 leading to a 1.6% increase in FY14. However, in 1Q15, GDP growth decelerated again, to 0.3% qoq, from 0.7% in 4Q14 (with private consumption a key driver that also led to higher imports). However, a healthy labour market, rising wages and disposable income should contribute to further acceleration in GDP growth in FY15E, to more than 2%. Downside risks are mainly continuing uncertainties relating to Greece and the Ukraine, that should also continue to hold back an upswing in investments

Germany – monthly SAAR[1] vs. trend (Oct'08-Apr'15)



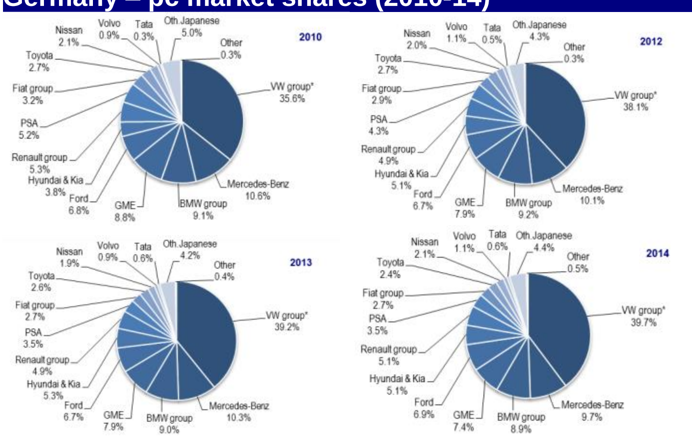
(1) SAAR according to LMC Automotive. Source: KFBA, LMC Automotive and CGI calculations

Germany – pc registrations (1998-2018E)



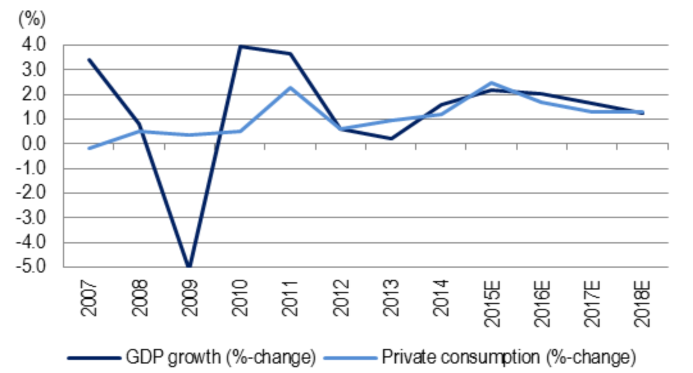
Source: KFBA, LMC Automotive and CGI estimates

Germany – pc market shares (2010-14)



(*) VW group incl. Porsche. Source: KFBA and CGI calculations

Germany – real GDP and priv. consumption (2007-18E)



Source: Oxford Economics and CGI estimates

France

+2.3% in April

+5.6% in YTD

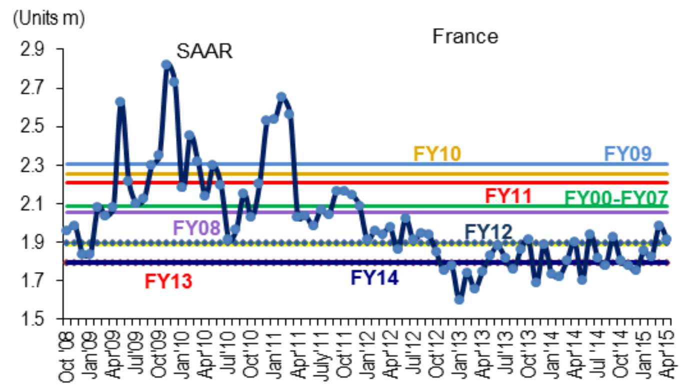
In April, French car registrations increased 2.3% yoy to 170.8k units, after 9.3% in March, resulting in a 5.6% increase to 0.65m YTD. This follows a flat FY14 market, up 0.3% at 1.80m, and four years of decline.

+4.5% in FY15E

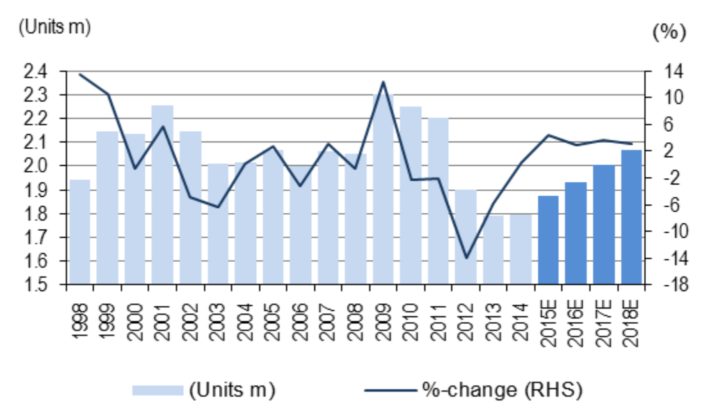
In April, underlying demand weakened again to a SAAR of 1.91m, down 3.8% mom/from March's 1.98m, the strongest month since August 2012 (1.95m), resulting in a SAAR of 1.90m YTD. Indeed, the recovery has gained momentum reducing the shortfall vis-à-vis the pre-crisis 2000-07 level of 2.09m to 9% in YTD, after -14% in FY14. For FY15E, we expect the French market to grow 4.5% to 1.88m units.

France's macro-economic credentials have improved greatly and, in 1Q15, GDP grew 0.6% from a flat 4Q14, making it the fastest quarter since 2Q13. This was mainly due to private consumption that benefited from lower energy costs and no inflation and despite unemployment at some 10%. A sharp upturn in consumer confidence supports a positive FY15E forecast of private consumption boosting GDP growth to 1.2%, after just 0.4% in FY14.

France – monthly SAAR[1] vs. trend (Oct'08-Mar'15)



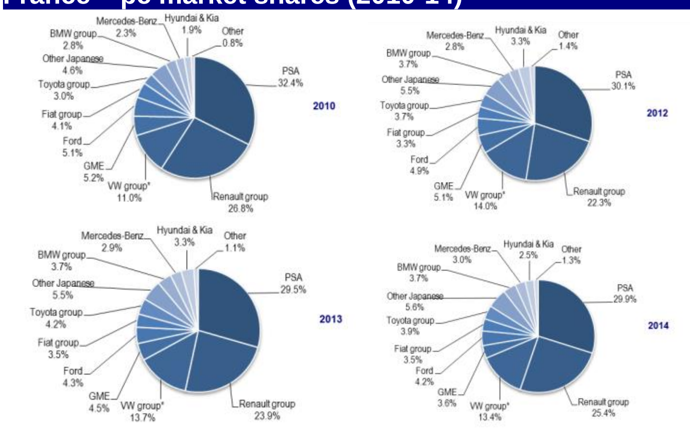
France – pc registrations (1998-2018E)



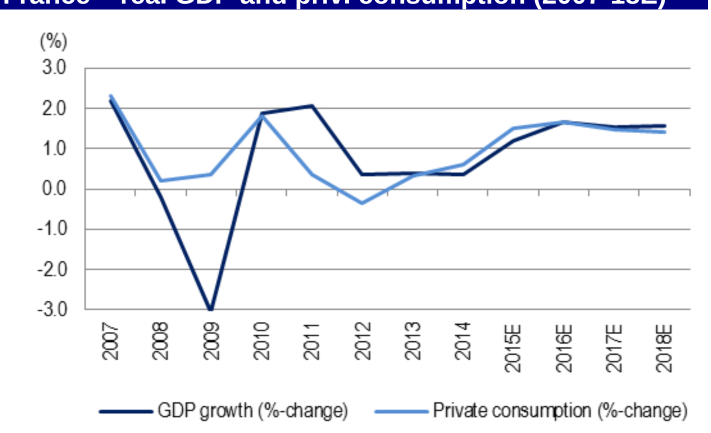
(1) SAAR according to calculations by LMC Automotive. Source: CCFA, LMC Automotive and CGI calculations

Source: CCFA, LMC Automotive and CGI estimates

France – pc market shares (2010-14)



France – real GDP and priv. consumption (2007-18E)



(*) VW group incl. Porsche. Source: CCFA and CGI calculations

Source: Oxford Economics, IMF and CGI estimates

Italy

+24.2% in April

+16.2% in YTD

In April, Italian car registrations increased 24.2% yoy to 148.8k units, after 15.1% in March, resulting in a 16.2% increase to 0.58m YTD. This follows a 4.2% increase to 1.36m in FY14, from an exceedingly weak 2013. Underlying demand continued to strengthen and the April SAAR of 1.72m was up 9.7% mom/from March's 1.57m and the strongest month since December 2011 (1.99m). YTD's SAAR of 1.55m was up 14% from FY14's 1.36m, though remained 34% below the 2.34m pre-crisis trend.

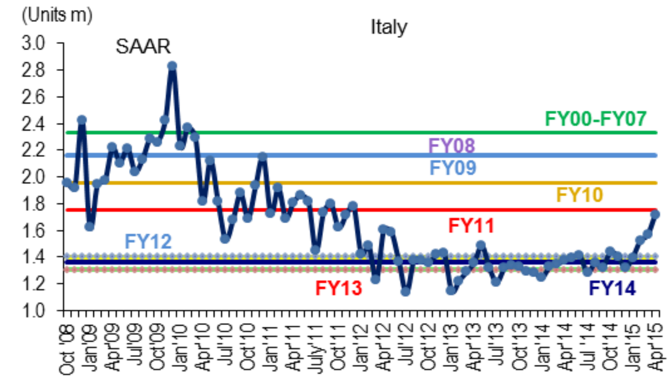
Things are looking up

In 1Q15, GDP advanced 0.6% qoq, making it the strongest quarter in four years that included 13 quarters of contraction/ stagnation at best. The driving force has been domestic demand that benefited greatly from lower energy prices and deflation. After having shrunk by almost 5% in 2012-14, real GDP is set to recover, albeit slowly in 2015E-16E, by some 0.5% and 1.0% respectively. Challenges remain a vicious circle of austerity and high unemployment at some 13%.

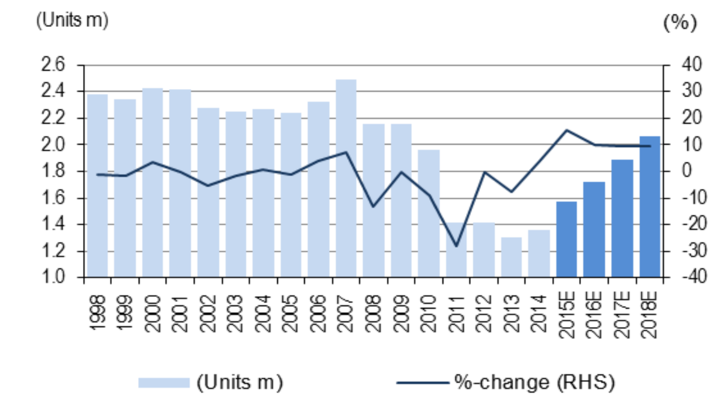
+7.8% in 2015E

The FY14 increase in the Italian car market by 4.2% to 1.36m was the first one after six consecutive years of decline, leaving the market 37% below pre-crisis LT trend. In view of the strong performance YTD, a large car parc and considerable pent-up demand, the Italian car market is set for a strong recovery. For FY15E, we expect the market to grow 15.4% to 1.57m units.

Italy – monthly SAAR[1] vs. trend (Oct'08-Apr'15)



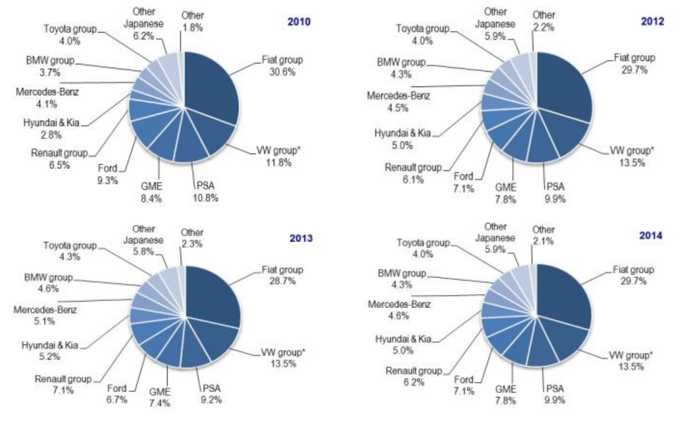
Italy – pc registrations (1998-2018E)



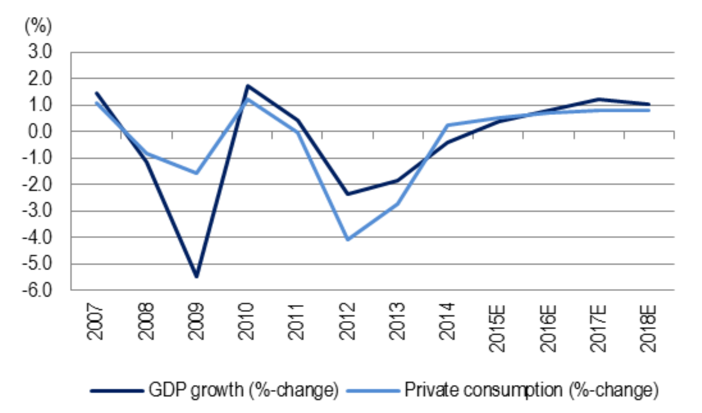
(1) SAAR according to calculations by LMC Automotive. Source: ANFIA, UNRAE, LMC Automotive and CGI calculations

Source: ANFIA, UNRAE, LMC Automotive and CGI estimates

Italy – pc market shares (2010-14)



Italy – real GDP and priv. consumption (2007-18E)



(*)VW group incl. Porsche. Source: Anfia and CGI calculations

Source: Oxford Economics and CGI estimates

Spain

+3.2% in April

+23.9% YTD

In April, Spanish car registrations grew 3.2% yoy to 82.7k units, after 40.5% in March, resulting in a 23.9% increase to 0.35m in YTD. This follows an 18.4% increase to 0.86m in FY14. Underlying demand weakened again in April with a SAAR of 0.97m, down 7.8% mom/from March's 1.06m, the latter had been the strongest month since June 2010 (1.13m), reflecting an improving consumer confidence. At 1.0m, YTD's SAAR was 16% better than FY14's 0.72m, though remained 33% below the 2000-07 level of 1.48m units.

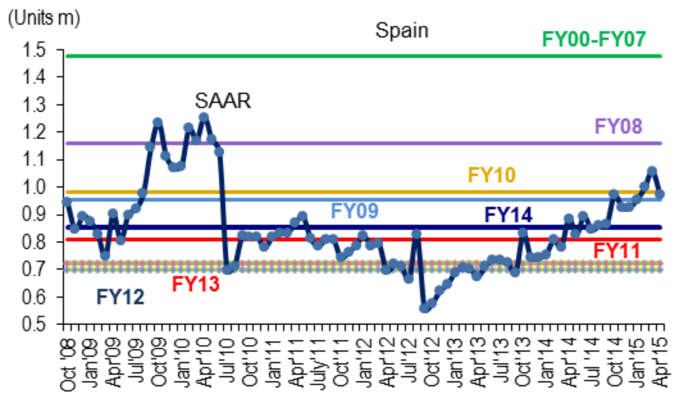
Government incentive scheme

The relative strength of the Spanish car market since 4Q12 has been primarily due to the PIVE scrappage scheme that was first announced and introduced in October 2012 and has being kept topped up. However, an increasingly important supporting factor has been the recovery in the Spanish economy that has recently greatly exceeded that of the Eurozone.

+20% in 2015E

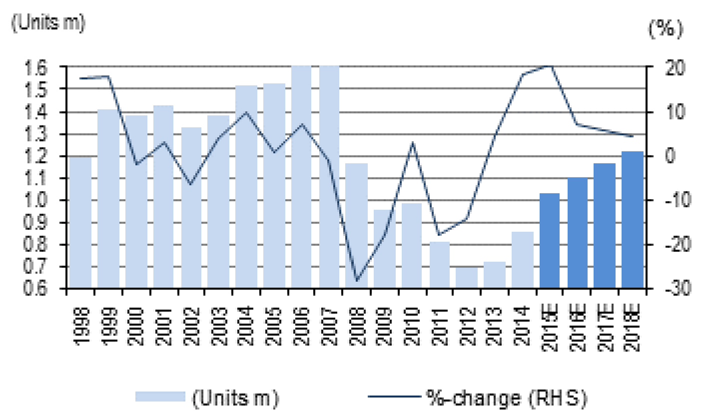
Indeed, the macroeconomic outlook for Spain has continued to brighten considerably and GDP has grown over the past six quarters. The recovery has accelerated and in 1Q15, the GDP qoq growth rate of 0.9% was more than double that for the euro area. In FY15E, GDP growth is set to sharply accelerate to some 2.5% from 1.4% in FY14. Initially led by exports and industry, the recovery has steadily broadened into services and the domestic sector, the latter benefiting from the 2012 labour market reforms; consumer confidence has recovered greatly since mid-2012, to pre-crisis levels. However, unemployment that has eased only recently to below 25%, should remain a drag for years to come. We understand that the Spanish government plans to keep extending the PIVE scheme until underlying demand has stabilised. On this basis, the Spanish car market is set to grow 20% to more than 1m in FY15E.

Spain – monthly SAAR[1] vs. trend (Oct'08-Apr'15)



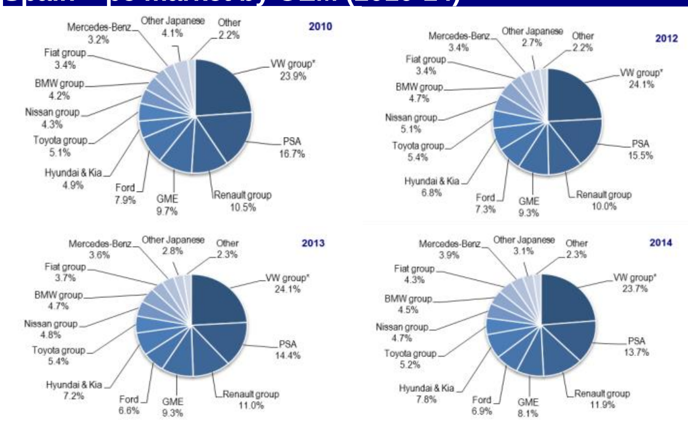
(1) SAAR according to calculations by LMC Automotive. Source: ANFAC, LMC Automotive and CGI calculations

Spain – pc registrations (1998-2018E)



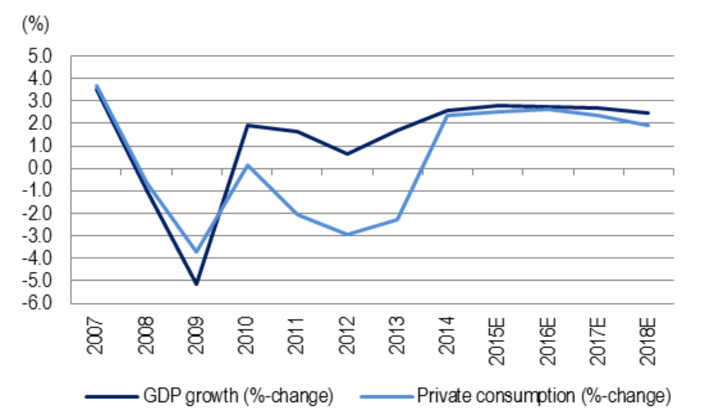
Source: ANFAC, LMC Automotive and CGI estimates

Spain – pc market by OEM (2010-14)



(*) VW group incl. Porsche. Source: ANFAC and CGI calculations

Spain – real GDP and priv. consumption (2007-18E)



Source: Oxford Economics and CGI estimates

UK

+5.1% in April

+6.4 in YTD

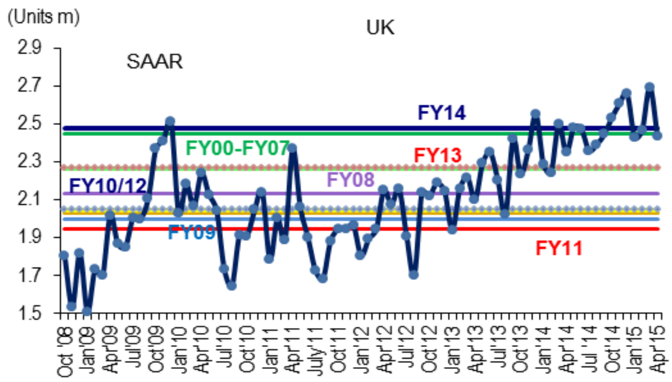
UK car registrations advanced 5.1% yoy to 185.8m in April, after 6.0% in March, resulting in a 6.4% increase to 0.92m YTD. (Note that at 492.8k units, March 2015 was the best month since the introduction of twice-yearly (March and September) number plate changes in 1999.) The UK market fully recovered last year, as it expanded 9.3% to 2.48m, making it the best annual result since 2004, topping the pre-crisis LT trend level of 2.45m.

Driven by pent-up demand, easy credit, aggressive marketing and an accelerating economic recovery, with GDP growing 2.8% in 2014, the UK market has been growing for 38 months, making it the longest period of growth on record. Falling petrol prices, zero inflation and a strengthening economy have turbo-charged consumer confidence to above pre-crisis levels. However, the fact that in YTD fleet/business sales have taken over from retail sales as market driver points to a long-awaited slowdown in the UK market. YTD, private demand increased only 1.4%, reducing the share to 47.5%, after a 10.0% increase in FY14.

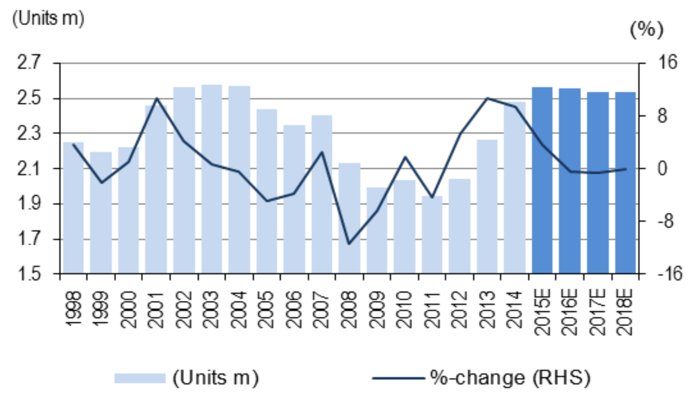
+3.6% in 2015E

In April, underlying demand weakened again, to a SAAR of 2.43m, down 2.0% mom/ from an exceedingly strong March with a SAAR of 2.69m, the strongest month in six years. YTD's SAAR of 2.51m was 1% up on FY14's 2.48m and 2.4% above the long-term pre-crisis average of 2.45m units. We expect the UK car market will grow another 3.6% to 2.57m in FY15E and move sideways thereafter, while the economy is expected to decelerate moderately. Challenges include growing political uncertainty in view of the future of the UK itself and its relationship to Europe.

UK – monthly SAAR[1] vs. trend (Oct'08-Apr'15)



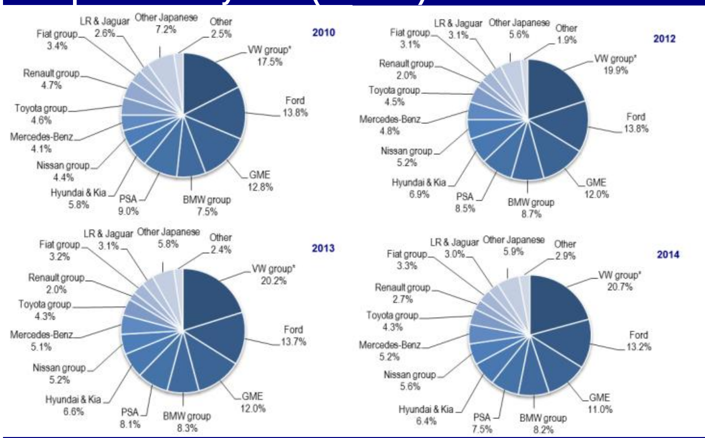
UK – pc registrations (1998-2018E)



(1) SAAR according to calculations by LMC Automotive. Source: SMMT, LMC Automotive and CGI calculations

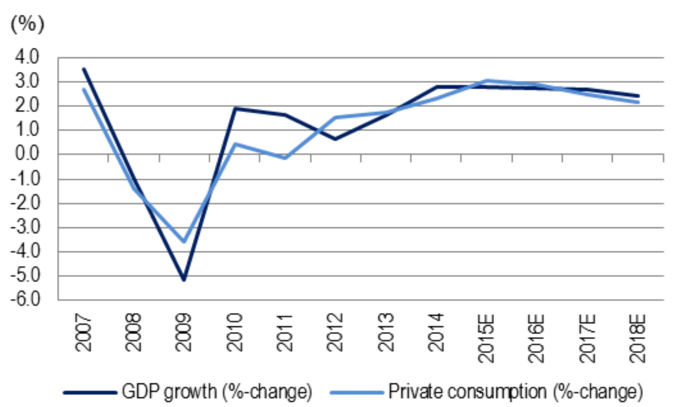
Source: SMMT, LMC Automotive and CGI estimates

UK – pc market by OEM (2010-14)



(*) VW group incl. Porsche. Source: SMMT and CGI calculations

UK – real GDP and priv. consumption (2007-18E)



Source: IMF, Oxford Economics and CGI estimates

Japan pc market

-10.1% in April

-14.6% in YTD

In April, vehicle sales declined 10.1% to 0.26m pcs and 8.0% to 0.31m LVs, after declines of -15.5% to 1.34m pcs and -14.4% to 1.54m LVs in 1Q15. The sharp declines in 1Q15 and YTD reflect mainly the 1Q14 sales boom, up more than 20% yoy, due to pre-buying ahead of the increase in consumption tax from 5% to 8% on April 1st 2014. At 5.0m, the YTD SAAR was down 7.6% from FY14's strong 5.44m, though there was also some pre-buying in March'15 in anticipation of increases for annual mini car tax and tighter rules to qualify for the 'eco-car' tax. We attribute the resilience of the LV markets that have been running at a SAAR of 5.2m since mid-14 to a continuing stock market rally and lower fuel prices.

IMF calls for more action in view of…

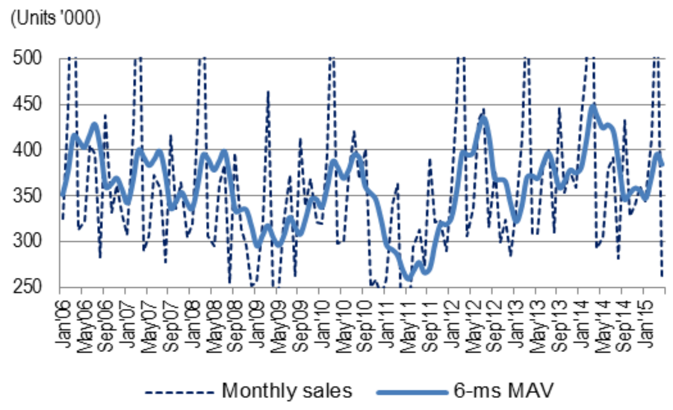
…an overly slow recovery

Headline GDP growth accelerated from an annualised 1.1% in 4Q14, to 2.4% in 1Q15, mostly due to inventories (adjusted for which the growth rate was just 0.4%); and private consumption and investment grew an annualised 1.4%. In FY15E, GDP growth is expected to fall short of 1%, after a small contraction in FY14. In view of the fragility of the recovery and the expectation that core inflation is still close zero, the IMF has called on the BoJ to expand its monetary easing.

-6.2% in 2015E

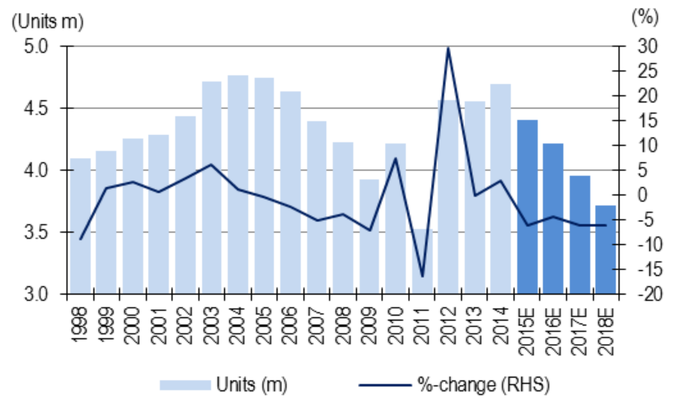
However, not all is bad: disposable income is set to benefit from lower energy prices and wage increases; the latter is of particular importance for non-permanent employees that had been hit hard by the spurt in inflation caused by higher import prices (a result from PM Abe's first two arrows) and last year's VAT increase. Another positive is Abe's decision to delay the next sales tax increase (from 8% to 10%) scheduled for October '15 by 18 months. However, it will depend on the 'third arrow' of structural, supply-side reforms to reflate the economy and restore public finances. The extent of an increase in disposable income, together with political decisions, including further tax increases will thus determine the severity of the expected payback in the automotive markets in 2015E-16E.

Japan – monthly pc registrations (Jan'06-Apr'15)



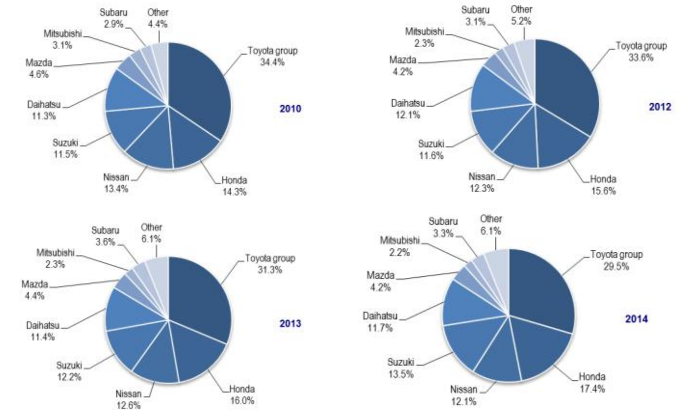
Source: JAMA and CGI calculations

Japan – pc market (1998-2018E)



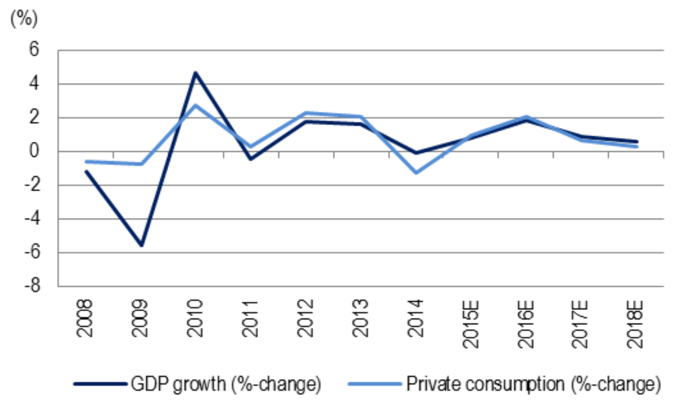
Source: JAMA, LMC Automotive and CGI estimates

Japan – pc market shares (2010-14)



Source: JAMA and CGI calculations

Japan – real GDP and private consumption (2008-18E)



Source: Oxford Economics and CGI estimates

China LV market

+2.0% in April

+4.7% in YTD

In April, China LV whole sales increased 2.0% yoy to 2.03m, after 5.8% in March, resulting in a 4.7% increase to 8.33m YTD. Sales of private vehicles (PVs) were up 9.4% yoy at 7.0m units or 84% of LVs. LMCA estimate that the LV SAAR was 23.6m in April, down 4% mom and 24.4m in YTD, up 3.5% from FY14's 23.6m. Foreign OEMs reduced their inventories from 50 days to 45, contributing to the slowdown in April.

+5.9% in FY15E

The LV market should continue to decelerate and grow 5.9% to 25.07m in FY15E, after 8.3% to 23.69m in FY14 and 13.9% in FY13. This takes into consideration factors, such as considerable pent-up demand, further need to reduce inventories, falling prices and also growing restrictions to car buying in highly polluted cities. Shenzhen was the seventh municipality that introduced purchasing restrictions (in December '14).

PVs should remain the driving force, due to growing disposable income and, to a lesser extent, to substitution of mini-buses with MPVs. LCVs, should continue their decline due to uncertainties over the impending China IV emission regulations and the slowdown in construction. In FY15E, we expect sales of PVs to grow 8.7% to 21.42m and those of LCVs to contract 8.2% to 3.65m.

'New normal'

GDP growth continued to decelerate to 7.0% in 1Q15, down from 7.4% in FY14, and 7.3% in 2H14. The government lowered its FY15 target to 'around 7%' as they have averted their focus away from rapid growth towards employment and the environment. In the medium term, GDP growth should continue to decelerate to less than 6% p.a. as domestic activity is curbed by a correction in the real estate market, high levels of debt and excess capacity in various industrial sectors. Although 'Likonomics' aims at weaning the economy off government-led FA investments and rebalancing it towards private consumption and services, we expect that the central and regional governments will continue to use mini-stimuli to keep the economy on an even keel. .

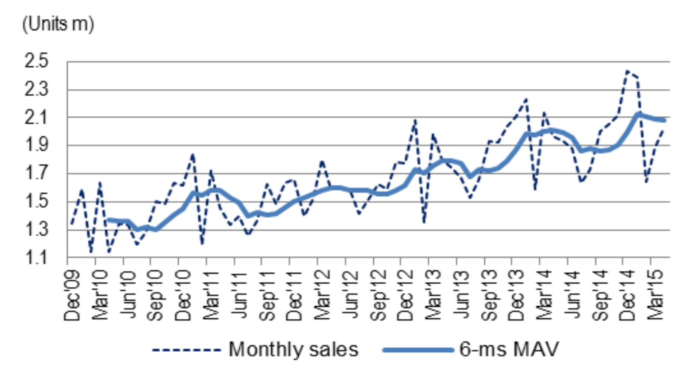
Long-term trends intact

The Chinese LV market is expected to grow at a CAGR of 7.0% in 2014-2018E. In this period, the economy is also expected to develop private consumption as a growth engine. The expected long-term growth in the LV market should be supported by vehicle density growing in tandem with GDP/capita, rising urbanisation (from 52% in 2012) and a growing middle class. A growing customer base should be spreading demand inland from Tier 1 regions and the coastal areas. (See charts on p.16.)

Premium segment continues to outperform

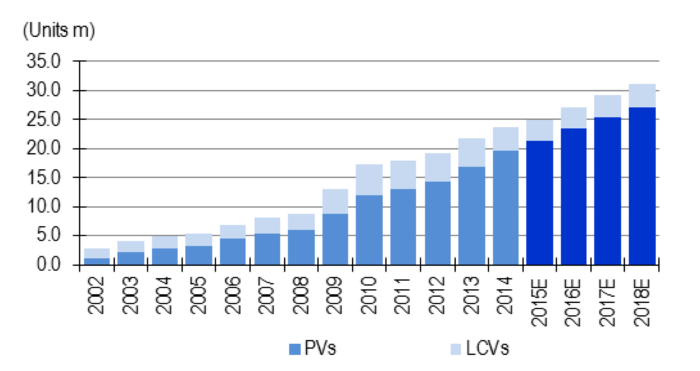
The premium segment grew from 111k units in 2005 to 1.83m in 2014, implying a CAGR of 35%, compared to 20% for the total PV market (16.9% for the LVs). German premium brands that dominate the segment increased deliveries 18.5% to 1.16m in FY13, 19.5% to 1.38m in FY14 and 8.6% in YTD. The medium-term outlook remains favourable, as the premium segment is expected to continue to outperform the volume markets driven by growing wealth. However, the long-awaited 'normalisation' of trading conditions in China for premium OEMs to single-digit growth rates and profit margins has arrived. Growing competition, together with a sharp increase in localisation and downsizing should keep prices on the downtrend. In addition, president Xi Jinping's austerity and anti-corruption drive has resulted in customers increasingly shunning overly ostentatious luxury cars that tend to be high-margin imports.

China – monthly LV sales (Dec'09-Apr'15)



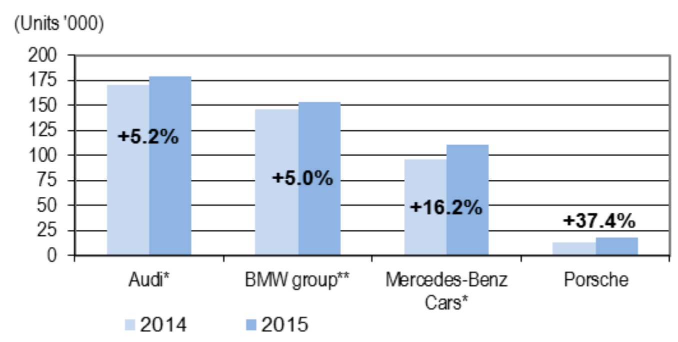
(1) incl. imports Source: LMC Automotive and CGI calculations

China – LV sales (2002-18E)



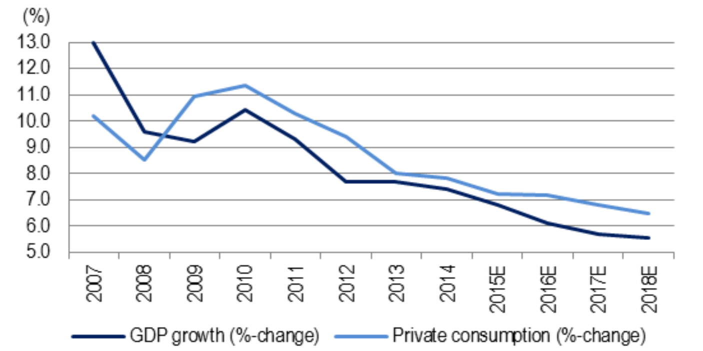
Source: LMC Automotive and CGI estimates

German premium brands[x] (Jan-Apr 2014 & 2015)



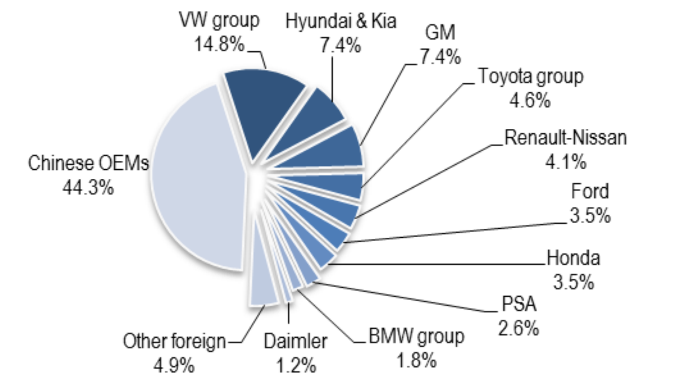
(x) Deliveries. (*) Incl. Hong Kong. (**) BMW and Mini only. Source: Company data and CGI calculations

China – real GDP and private consumption (2007-18E)



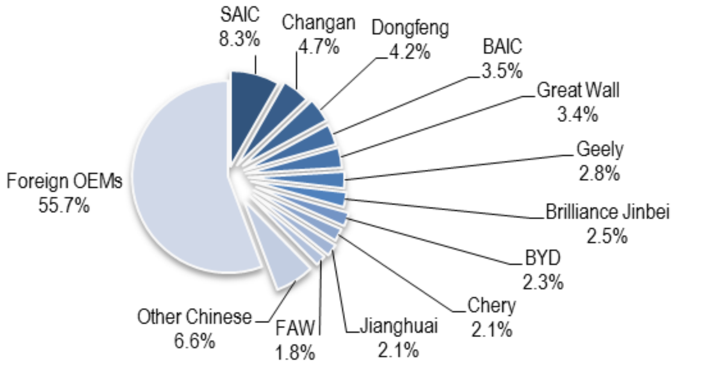
Source: Oxford Economics and CGI estimates

China – LV market by foreign OEM (2013)



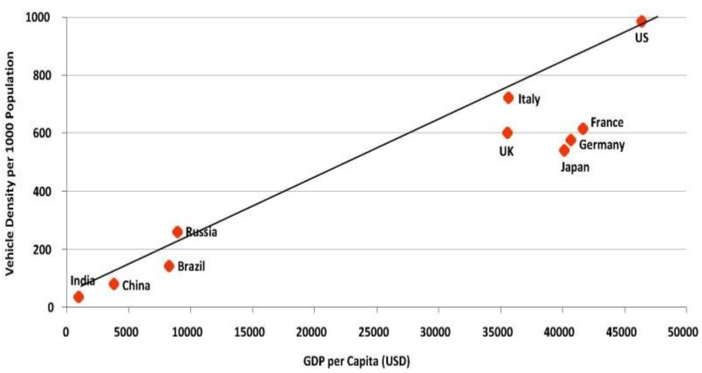
Source: LMC Automotive and CGI calculations

China – LV market by domestic OEM (2013)



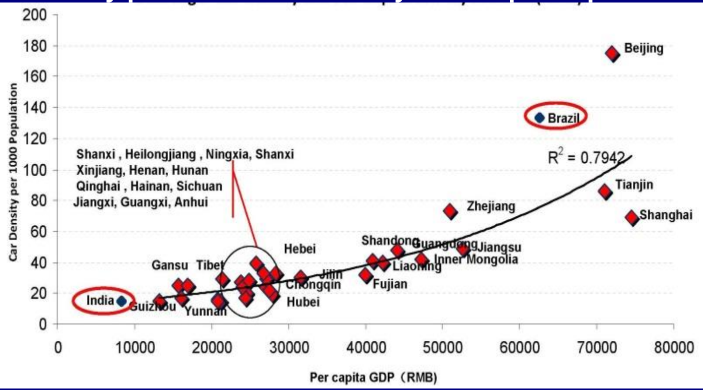
Source: LMC Automotive and CGI calculations

China – vehicle density & GDP per capita (2010)



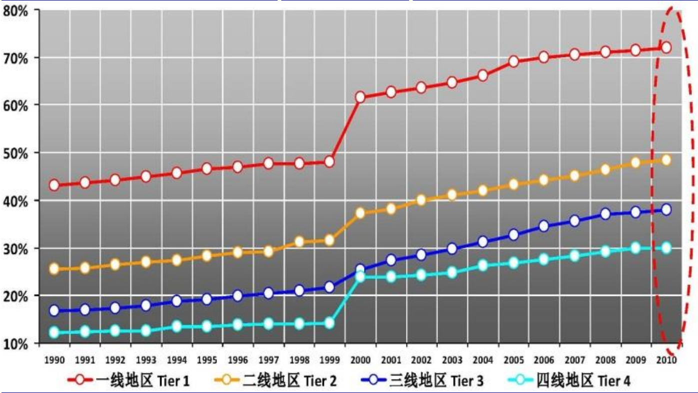
Source: LMC Automotive

China by province – car density & GDP per capita



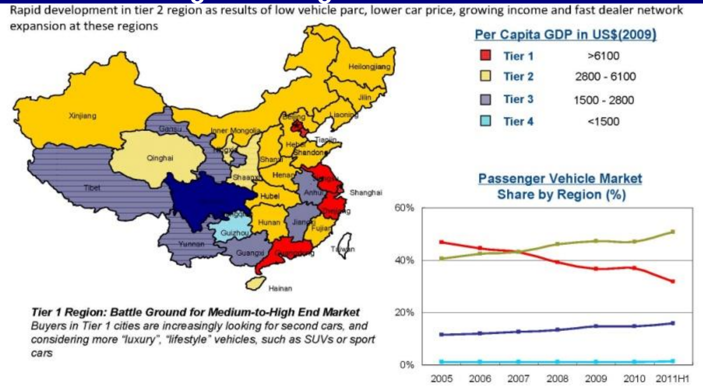
Source: LMC Automotive

China – urbanisation (1990-2010)



Source: LMC Automotive

China – inland growth engine



Source: LMC Automotive

Brazil LV market

-24.3% in April

-18.4% in YTD

In April, Brazilian LV sales declined 24.3% yoy to 211.9k units, after -1.2% in March resulting in an 18.4% decline to 0.86m YTD. This follows a 9.4% decline to 2.50m in FY14. Following a spike in November/December when pre-buying ahead of the expiry of the second tranche of IPI tax cut boosted the SAAR to 3.3m and 3.7m, underlying demand deteriorated sharply and the SAAR was less than 2.6m in April, a seven-year low. The downward trend in LV sales that started in mid-2012 has accelerated sharply as austerity and recession are biting, further squeezing the purchasing power of the Brazilian consumer; this is exacerbated by ever tighter credit conditions.

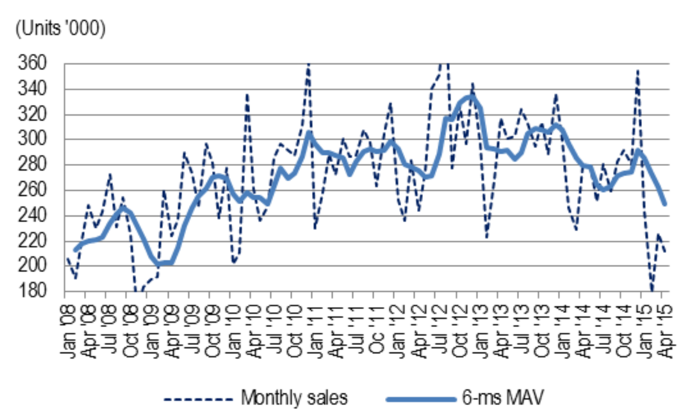
The new finance minister's austerity measures and tax increases that are aiming at balancing overall budget have greatly increased the burden for the consumer; new taxes have raised the prices of basics such as electricity, bus fares and gasoline. Consumer confidence has collapsed to levels not seen since 2001. This is hardly surprising in view of the fact that inflation jumped, exceeding 8% since March, the currency has lost another 15% vs. USD YTD, or 40% in 18ms, interest rates have continued to rise sharply, by 150bpts YTD and 275bpts since January 2014 and employment keeps falling.

Private consumption that, fuelled by subsidised credit, had been driving the economy since 2007 slowed dramatically to 0.8% in FY14 and is expected to actually contract this year.

-18% in FY15E

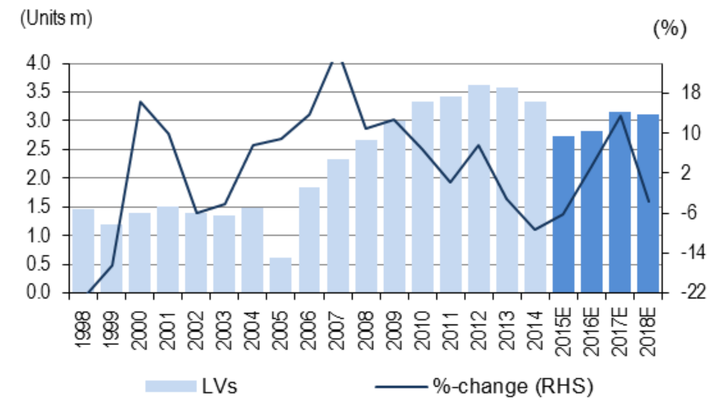
The Brazilian LV market is therefore heading for a sharp correction by 18% to 2.73m units in FY15E. This follows already two years of decline, by -6.9% in FY14 and -1.6% in FY13 respectively. We believe that there is considerable downside risk to the forecast.

Brazil – monthly LV registrations (Jan'08-Apr'15)



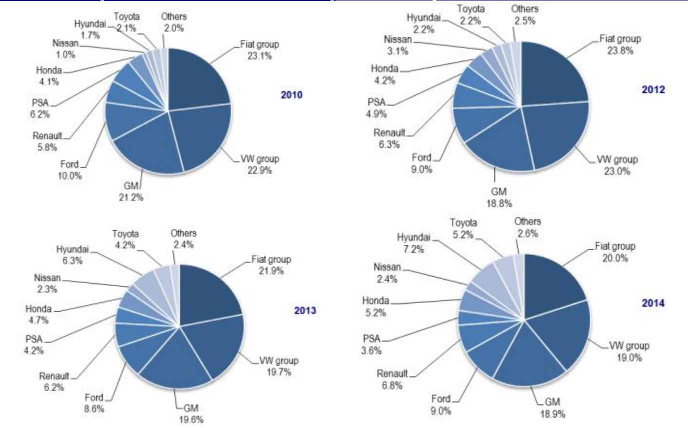
Source: ANFAVEA and CGI calculations

Brazil – LV market (1998-2018E)



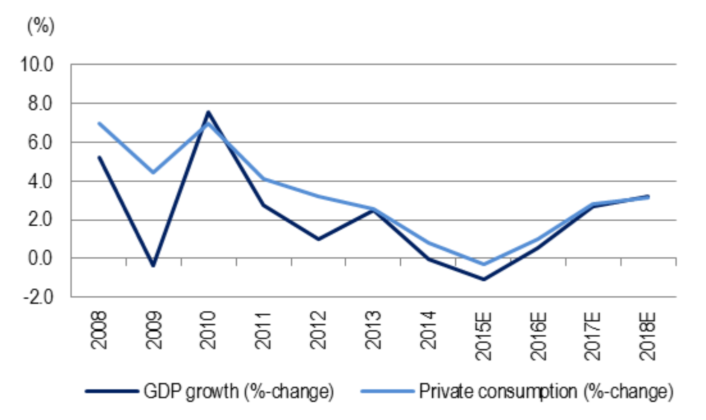
Source: ANFAVEA, LMC Automotive and CGI estimates

Brazil – pc market shares (2010-14)



Source: ANFAVEA and CGI calculations

Brazil – real GDP and private consumption (2008-18E)



Source: Oxford Economics and CGI estimates

Russia LV market

-42% in April

-38% in YTD

In April, Russian LV sales plunged 41.5% yoy to 132.5k units, after -42.5% in March, resulting in a 37.8% decline to 0.52m YTD. This follows a 10% decline to 2.49m units in FY14. Before the background of an unfolding economic crisis, underlying demand in LVs actually had improved during 4Q14 as demand was brought forward ahead of the inevitable drastic price increases and the government introduced incentive schemes from September 1st onwards. LMCA calculate that underlying demand weakened dramatically from some 2.8m units in December, to just 1.4m units in April.

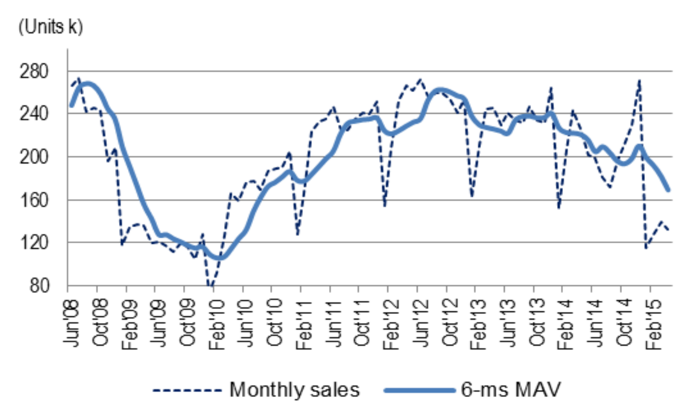
Collapse in oil price and rouble have pushed Russia's economy into crisis territory

The immediate macro-economic outlook, for 2015 has become somewhat less gloomy thanks to a firming of the oil price (to USD 60/bbl) and a strengthening of the rouble (to USD/RUB 50); both have improved some 30% from lows seen at the beginning of the year. The Bank of Russia has thus been able to partially reverse last year's rate hike (of 6.5%-pts), cutting the benchmark interest rate 4.5%-pts YTD to 12.5% (since April 30th). Although the FY15E recession is expected to include a GDP contraction of just 4.3% (compared to 5-6% feared at the beginning of the year), the recovery from 2016 onwards is expected to be subdued with annual GDP growth rates of 2.5-3.0%. The consumer has been hit particularly badly which is reflected in a collapse in consumer confidence to 2009 levels. There has been a dramatic erosion of purchasing power as wages have declined some 10% due to a 30% weaker rouble, sanctions and import restrictions have pushed inflation to some 17%. In this recession, private consumption is thus expected to perform worse than GDP, contracting by more than 6% in 2015E.

-36% in 2015E

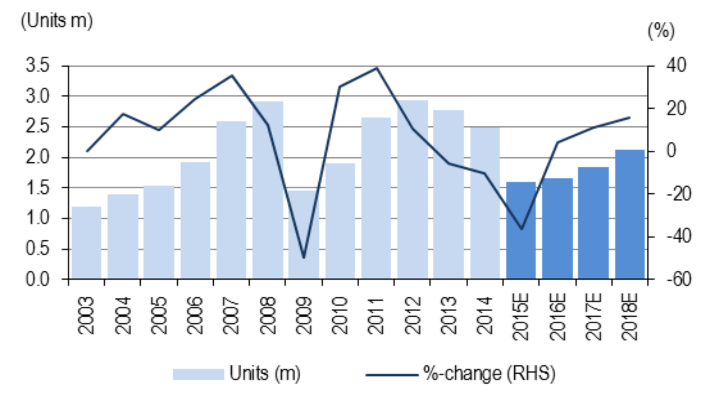
In FY15E, the Russian LV market is set for a 36% decline to 1.61m units. This takes into account multiple incentive schemes brought in by the government, including scrappage initiatives (for ca. 100k in Jan-May and 45k in June-July), discounted leasing support (for ca 10k), and, from April 1st, preferential loan interest subsidies (for some 190k LVs).

Russia – monthly LV sales[1] (Jun'08-Apr'15)



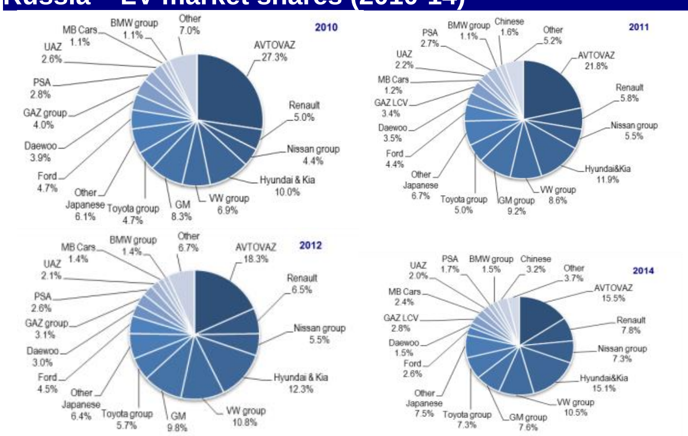
(1) LV sales = passenger cars and LCV. Source: AEB and CGI calculations

Russia – LV sales (2003-18E)



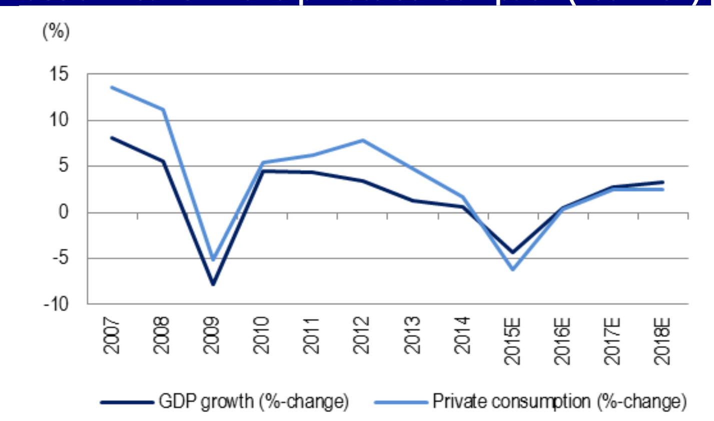
Source: AEB, LMC Automotive and CGI estimates

Russia – LV market shares (2010-14)



Source: AEB and CGI calculations

Russia – real GDP and private consumption (2007-18E)

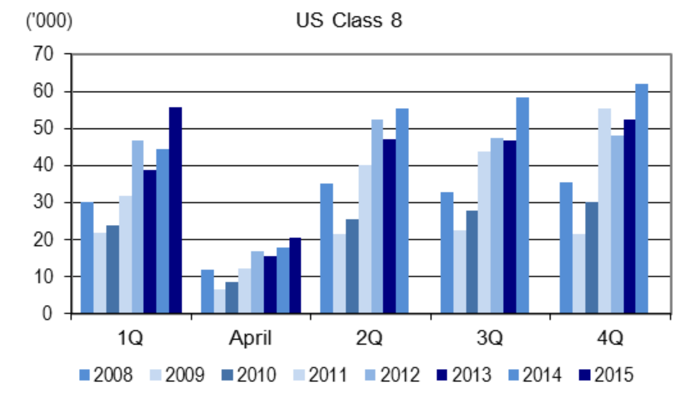


Source: Oxford Economics and CGI estimates

Demand trends for trucks

US medium & heavy truck market

US – Class 8 sales

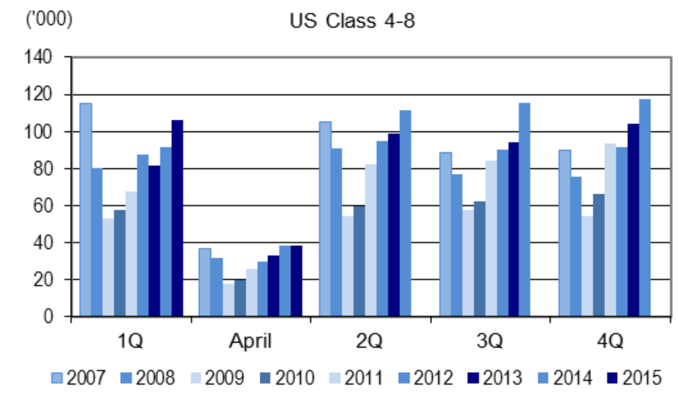


Source: Automotive News Data Center, CGI calculations

	1Q	Apr	2Q	3Q	4Q	FY
Units						
2010	23,839	8,627	25,418	27,825	30,070	107,152
2011	31,978	12,173	40,110	43,907	55,430	171,425
2012	46,845	16,905	52,401	47,585	48,192	195,023
2013	38,828	15,660	47,064	46,788	52,242	184,922
2014	44,566	17,781	55,279	58,526	62,146	220,517
2015	**55,839**	**20,513**	-	-	-	-
% change						
2011 yoy	34.1	41.1	57.8	57.8	84.3	60.0
2012 yoy	46.5	38.9	30.6	8.4	-13.1	13.8
2013 yoy	-17.1	-7.4	-10.2	-1.7	8.4	-5.2
2014 yoy	14.8	13.5	17.5	25.1	19.0	19.2
2015 yoy	**25.3**	**15.4**	-	-	-	-
2014 vs. 2007	-12.8	33.0	52.9	97.7	82.2	46.1
2015 vs. 2007	**9.2**	**53.4**	-	-	-	-

Source: Automotive News Data Center, CGI calculations

US – Class 4-8 sales

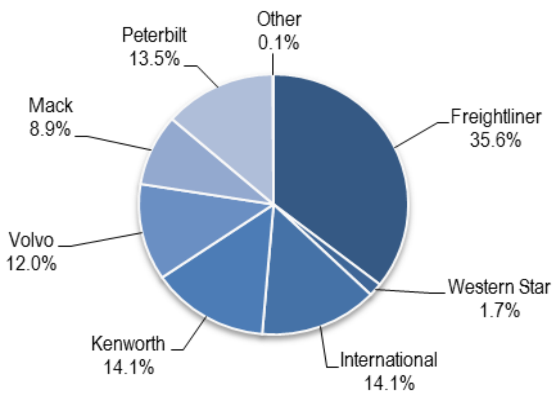


Source: Automotive News Data Center, CGI calculations

	1Q	Apr	2Q	3Q	4Q	FY
Units						
2010	57,781	19,583	59,533	62,231	66,399	245,944
2011	67,399	25,728	82,416	84,409	93,768	327,992
2012	87,763	29,932	94,962	89,898	91,752	364,375
2013	81,254	32,888	98,680	94,150	104,073	378,157
2014	91,432	38,279	111,169	115,103	117,095	434,799
2015	**106,075**	**38,362**	-	-	-	-
% change						
2011 yoy	16.6	31.4	38.4	35.6	41.2	33.4
2012 yoy	30.2	16.3	15.2	6.5	-2.1	11.1
2013 yoy	-7.4	9.9	3.9	4.7	13.4	3.8
2014 yoy	12.5	16.4	12.7	22.3-	12.5	15.0
2015 yoy	**16.0**	**0.2**	-	-	-	--
2014 vs. 2007	-20.5	4.8	5.5	30.1	30.1	9.0
2015 vs. 2007	**32.0**	**20.9**	-	-	-	-

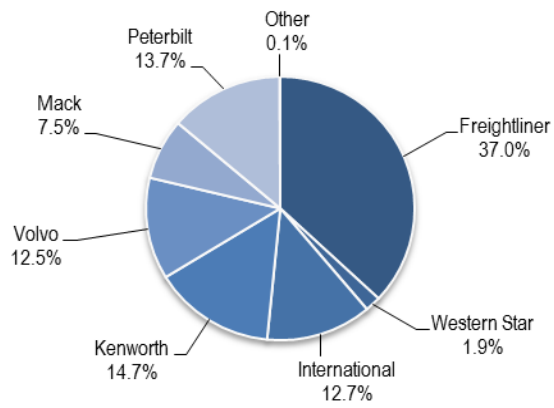
Source: Automotive News Data Center, CGI calculations

US – Class 8 sales by manufacturer (FY14)



Source: Automotive News Data Center, CGI calculations

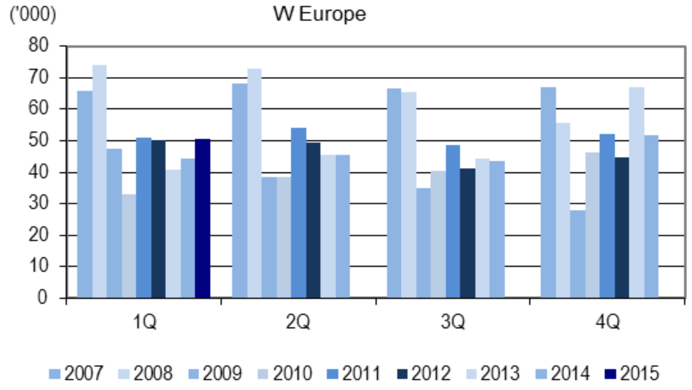
US – Class 8 sales by manufacturer (Jan-Apr'15)



Source: Automotive News Data Center, CGI calculations

Europe heavy truck markets

W Europe – truck registrations (>=16t)

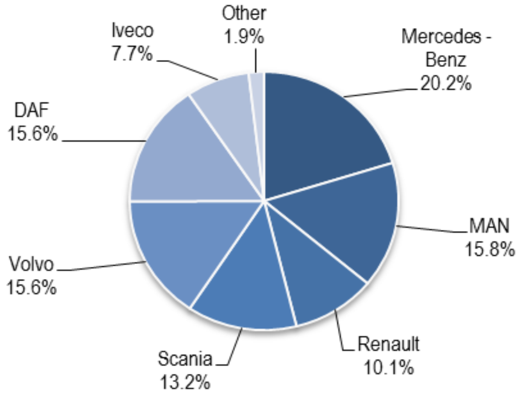


Source: ACEA, CGI calculations

	1Q	2Q	3Q	4Q	FY
Units					
2010	32,828	38,461	40,483	46,174	157,946
2011	50,998	53,938	48,692	52,099	205,727
2012	50,162	49,411	41,293	44,674	185,540
2013	40,649	45,321	44,436	66,956	197,508
2014	44,891	45,291	43,553	51,662	185,397
2015	50,716	-	-	-	-
% change					
2011 yoy	55.3	40.2	20.3	12.8	30.3
2012 yoy	-1.6	-8.4	-15.2	-14.3	-9.8
2013 yoy	-19.0	-8.3	7.6	49.9	6.5
2014 yoy	10.4	-0.1	-2.0	-22.7	-6.0
2015 yoy	14.3	-	-	-	-
2014 vs. 2008	-39.3	-37.9	-33.3	-7.1	-30.7
2015 vs. 2008	-31.4	-	-	-	-

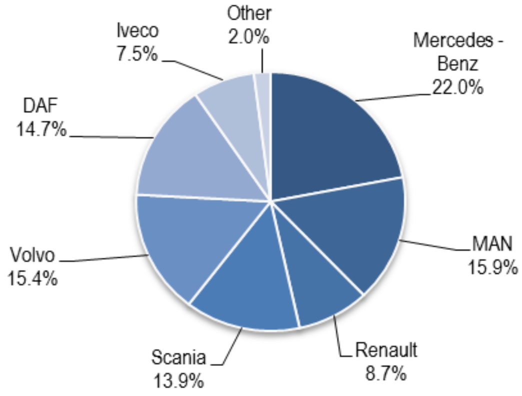
Source: ACEA, CGI calculations

W Europe – truck registrations by manufacturer (FY12)



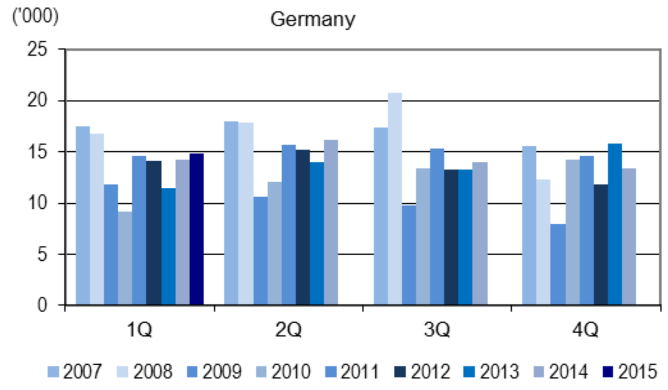
Source: Association Auxiliaire de l'Automobile, CGI calculations

W Europe – truck registrations by manufacturer (FY13)



Source: Association Auxiliaire de l'Automobile, CGI calculations

Germany – truck registrations (>=16t)

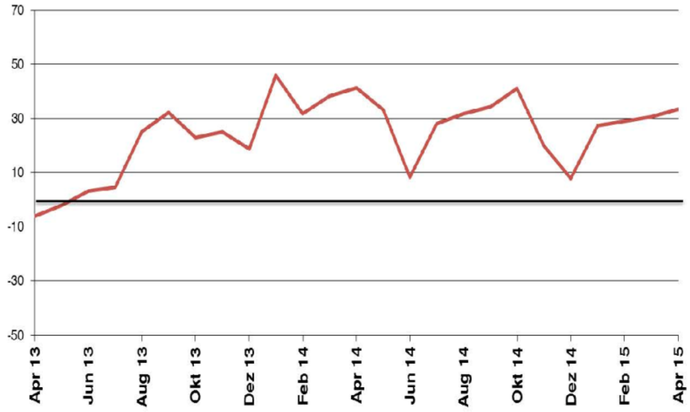


Source: ACEA, CGI calculations

	1Q	2Q	3Q	4Q	FY
Units					
2010	9,145	12,064	13,388	14,220	48,817
2011	14,577	15,718	15,358	14,560	60,213
2012	14,148	15,226	13,211	11,859	54,444
2013	11,432	14,038	13,310	15,796	54,576
2014	14,287	16,133	14,016	13,450	57,886
2015	**14,842**	-	-	-	-
% change					
2011 yoy	59.4	30.3	14.7	2.4	23.3
2012 yoy	-2.9	-3.1	-14.0	-18.6	-9.6
2013 yoy	-19.2	-7.8	0.7	33.2	0.2
2014 yoy	25.0	14.9	5.3	-14.9	6.1
2015 yoy	**3.9**	-	-	-	-
2014 vs. 2008	-14.9	**-9.9**	**-32.3**	**8.9**	**-14.6**
2015 vs. 2008	**-11.6**	-	-	-	-

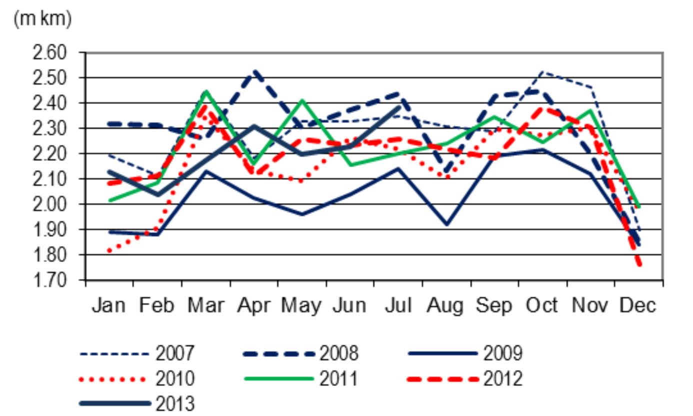
Source: ACEA, CGI calculations

SCI Logistics Barometer (Germany) (Feb'13-'15)



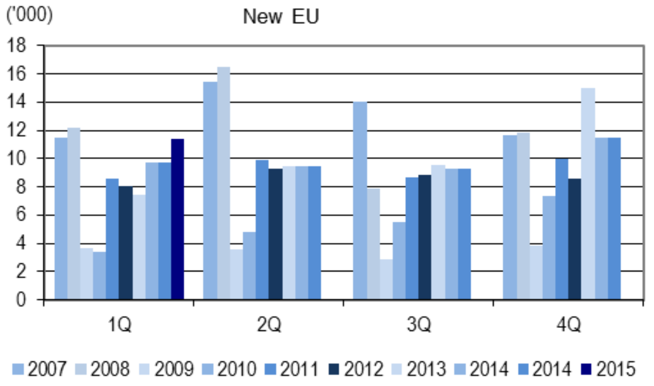
Business confidence indicator – transport and logistics industries in Germany. Source: www.sci.de

Toll Collect – Driven kms on German motorways



Source: Bundesamt für Güterverkehr

New EU[1] – truck registrations (>=16t)



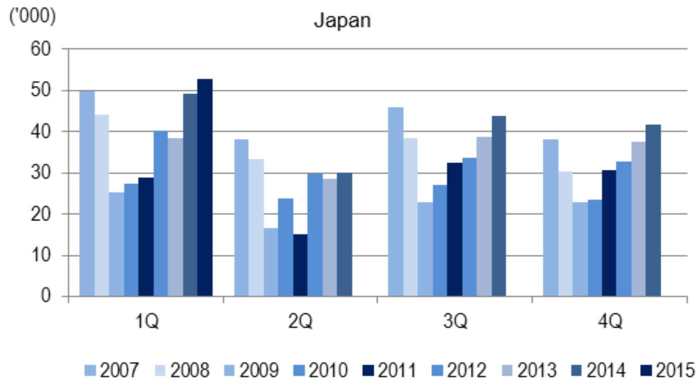
	1Q	2Q	3Q	4Q	FY
Units					
2010	3,384	4,779	5,509	7,351	21,023
2011	8,594	9,912	8,693	10,016	37,215
2012	8,020	9,333	8,811	8,585	34,749
2013	7,468	9,505	9,513	14,990	41,476
2014	9,727	9,466	9,320	11,500	40,013
2015	**11,430**	**-**	**-**	**-**	**-**
% change					
2011 yoy	154.0	107.4	57.8	36.3	77.0
2012 yoy	-6.7	-5.8	1.4	-14.3	-6.6
2013 yoy	-6.9	1.8	8.0	74.6	19.4
2014 yoy	30.2	-0.4	-2.0	-23.3	-3.5
2015 yoy	**17.4**	**-**	**-**	**-**	**-**
2014 vs. 2008	-20.4	-42.5	18.7	-2.6	-17.3
2015 vs. 2008	**-6.5**	**-**	**-**	**-**	**-**

(1) New EU, mostly Central Europe and Baltic countries. Source: ACEA, CGI calculations

Source: ACEA, CGI calculations

Japan medium & heavy truck market

Japan – medium & heavy truck market (>3.5t)



	1Q	2Q	3Q	4Q	FY
Units					
2010	27,512	23,701	27,029	23,455	101,697
2011	28,993	15,094	32,598	30,605	107,290
2012	40,273	29,714	33,645	32,727	136,359
2013	38,568	28,572	38,666	37,466	143,272
2014	49,245	30,085	43,732	41,753	164,815
2015	**52,737**	**-**	**-**	**-**	**-**
% change					
2011 yoy	5.4	-36.3	20.6	30.5	5.5
2012 yoy	38.9	96.9	3.2	6.9	27.1
2013 yoy	-4.2	-3.8	14.9	14.5	5.1
2014 yoy	27.7	5.3	13.1	11.4	15.0
2015 yoy	**7.1**	**-**	**-**	**-**	**-**
2014 vs. 2008	11.3	-9.8	13.3	37.0	12.4
2015 vs. 2008	**19.1**	-	-	-	**-**

Source: JAMA, CGI calculations

Source: JAMA, CGI calculations

Carlo R Besenius, CEO & Head of Global Strategy
cbesenius@cg-inv.com
office: +352 2625 8640
mobile: +352 691 106 969
Luxembourg/Europe

Steve Gluckstein, Global Strategist
sgluckstein@cg-inv.com
office: 212 939 7256
mobile: 732 768 8843
New York, NY, USA

Sabine CJ Blümel, Head of Global Automotive Research
sblumel@cg-inv.com
office: +44 7785 301 588
London, UK

Marc Peters, Head of Global Industrial Strategy
mpeters@cg-inv.com
office: +352 26 25 86 40
mobile: +352 621 36 44 50
Luxembourg/Europe

Feliks Lukas, Director of Industrial Consulting
flukas@cg-inv.com
office NY: 212-939-7256
mobile: +385 9848 8951
Kastela, Croatia

Allison M Cimon, Director of Sales & Technology
amcimon@cg-inv.com
office: 646 228 4321
Boston, MA, USA

Gary Schieneman, Director,
Global Accounting and Finance
gschieneman@cg-inv.com
office: 917 868 6842
New York, NY, USA

Jennifer Crisman, COO
jcrisman@cg-inv.com
office: + 352 2625 8640
Luxembourg/Europe