

Creative Global Investments

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BMW (EUR 73.77) – BUY

Muted 1Q16 EBIT results are EUR 1.76bn/9.4% for the Automotive segment and EUR 2.46bn/11.8% for the group. In 2016E-18E, we expect EPS to grow at a CAGR of 3.1% and reach EUR 10.63 in FY18E. Our YE16 target price of EUR 93 implies a 26% upside potential for BMW shares.

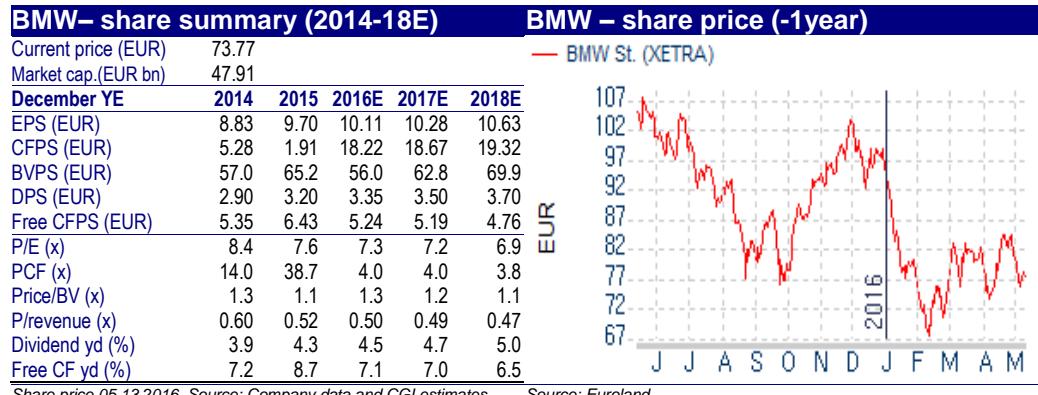
1Q16A group: flat revenue at EUR 20.85bn resulted in a -2.5% dip in 'EBIT' (EUR 2.46bn/11.8%) and increases of 4.4% in PBT (EUR 2.37bn/11.4%) and 7.9% in net profit.

At Autos, factors behind a muted 1Q16 EBIT (-1.7% at EUR 1.76bn/9.4%), despite increases in sales and production, were moderate headwinds from 1) forex & raw materials, 2) pricing (better pricing in Europe offset by US and China) and 3) a worse model mix (higher share of FWD models & ageing 5-Series only partly offset by new 7-Series). 'Other changes' (efficiency improvements net of upfront investments) were a small tailwind. In the US, BMW incurred declines in volume and pricing as it struggled to keep up with the dramatic shift in demand towards SUVs. We and market consensus were surprised that divisional revenue remained flat, implying a 4.9% yoy decline in calculated unit revenue; this was due to the fact that wholesales (that are actually driving revenue) trailed retail sales, implying a considerably higher over-production than the stated 22.7k. (See pp.3-12.)

FY16E outlook: we expect a 4.3% increase in EPS to EUR 10.11. At Autos we expect that a 4.0% increase in fully-consolidated car sales to 2.04m units will generate an 0.8% increase in EBIT to EUR 7.90bn/9.0%. We expect only moderate tailwinds from forex & raw materials and 'other changes'; neutral pricing, at best and a negative mix impact, with the full-year availability of the 7-Series more than offset by the negative impact from and ageing 5-Series and growing share of cars on the lower-margin FWD platform. (See pp.13-16.)

We fine-tuned our 2017E-18E estimates and expect EPS to grow 1.7% (EUR 10.28) and 3.4% (EUR 10.63) respectively. Expected driving forces are an improving model momentum and benefits from SNO>Next such as a richer mix and higher unit profit and growing services. We forecast that Autos will operate at the middle, rather than at the top end of its 8-10% profitability target range. (See pp.13-17.)

Investment opinion - BUY: Based on historic P/E valuation, we calculate a target price of EUR 93 for YE16E. This implies a 26% upside potential from the current share price. However, the short-term chart technical outlook remains negative. (See pp.18-19.)



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Note: In BMW accounts, EBIT refers to 'profit before financial results' and thus also excludes results from equity accounted investments.

Group results - 1Q16A & FY16E

BMW – Group results (1Q12-FY16E)

	1Q14	2Q14	3Q14	4Q14	FY14	1Q15	2Q15	3Q15	4Q15	FY15	1Q16A	1Q16E	Old FY16E	Old FY16E	New FY16E
(EUR m)															
Revenue	18,235	19,905	19,600	22,661	80,401	20,917	23,935	22,345	24,978	92,175	20,852	22,475	95,261	94,872	
EBIT ¹	2,090	2,603	2,256	2,169	9,118	2,521	2,525	2,354	2,376	9,593	2,457	2,486	9,698	9,779	
Financial income	76	57	-243	-301	-411	-252	57	-91	-83	-369	-89	-67	-215	-175	
Pre-tax profit	2,166	2,660	2,013	1,868	8,707	2,269	2,582	2,263	2,110	9,224	2,368	2,419	9,483	9,604	
Less tax charge	704	889	699	598	2,890	753	833	684	558	2,828	727	792	2,888	2,928	
Profit after tax	1,462	1,771	1,314	1,270	5,817	1,516	1,749	1,579	1,552	6,396	1,641	1,627	6,595	6,675	
Minorities	4	6	7	2	19	4	6	7	13	30	10	4	20	35	
Net profit	1,458	1,765	1,307	1,268	5,798	1,512	1,743	1,572	1,539	6,366	1,631	1,623	6,575	6,640	
Margin (%)															
EBIT ¹	11.5	13.1	11.5	9.6	11.3	12.1	10.5	10.5	9.5	10.4	11.8	11.1	10.2	10.3	
Pre-tax profit	11.9	13.4	10.3	8.2	10.8	10.8	10.8	10.1	8.4	10.0	11.4	10.8	10.0	10.1	
Tax rate (%)	32.5	33.4	34.7	32.0	33.2	33.2	32.3	30.2	26.4	30.7	30.7	32.8	30.5	30.5	
Net profit	8.0	8.9	6.7	5.6	7.2	7.2	7.3	7.0	6.2	6.9	7.8	7.2	6.9	7.0	

Note: Old FY16E estimates refer to our BMW report of May 2nd. (1) In BMW accounts, EBIT refers to 'profit before financial results' and thus also excludes results from equity accounted investments.
 Source: Company data and CGI estimates

BMW – Management guidance 2016* (of March 16th & May 3rd)

Group

Slight increase of BMW Group EBT compared to previous year.

Automotive segment

- Slight increase in vehicle deliveries compared to previous year
- EBIT margin in target range of 8-10%.

Segment Financial Services

Return on equity of at least 18%, on par with previous year's 20.2%

Segment Motorcycles

Slight rise in deliveries compared with previous year.

(*) Subject to stable economic conditions. Source: Company data

1Q16 group EBIT marginally lower,...

In 1Q16A, group revenue dipped 0.4% yoy to EUR 20.85bn (adjusted for currency it increased 1.3%) and generated a -2.5% yoy decline in 'EBIT' (profit before financial results) to EUR 2.46bn/11.8%. The implied EUR 64m yoy decline in group 'EBIT' was due to declines at Autos (by EUR 31m), Motorcycles (by EUR 21m) and at Other/Eliminations (EUR 48m); Financial Services was the only segment that generated a moderate increase (of EUR 36m).

...positive swing in PBT & net profit up

A EUR 0.16bn positive swing in the group net financial charge was behind a 4.4% increase in pre-tax profit (to EUR 2.37bn/11.4%) and a lower implied tax rate of 30.7% resulted in a stronger, 7.9% yoy increase in net profit to EUR 1.63bn/7.8%.

Management guidance confirmed

As expected, BMW management confirmed their guidance for FY16 of a 'slight increase in the group's pre-tax profit'.

FY16E EPS up 4.3% at EUR 10.11

In FY16E, we expect 4.3% increase in EPS to EUR 10.11. For the Automotive segment, we expect that a 4.0% increase in fully-consolidated car sales to 2.04m units will generate increases of 3.2% in revenue (to EUR 88.29bn), 0.8% in 'EBIT' to EUR 7.90bn/9.0% and 2.2% in pre-tax profit to EUR 7.69bn/8.7%.

BMW – P&L by division (1Q14-FY16E)

(EUR m)	1Q14	2Q14	3Q14	4Q14	FY14	1Q15	2Q15	3Q15A	4Q15	FY15	1Q16A	1Q16E	Old FY16E	New FY16E
Revenue														
Automotive	16,559	18,504	18,142	21,968	75,173	18,893	21,650	20,970	24,023	85,536	18,814	20,121	88,585	88,293
Motorcycles	472	528	370	309	1,679	567	622	454	347	1,990	582	612	2,090	2,050
Financial Services	4,890	5,155	5,221	5,333	20,599	6,058	6,154	5,621	5,906	23,739	6,031	6,351	24,451	24,332
Other ¹	2	2	2	2	7	2	1	1	3	7	1	2	5	5
Eliminations	-3,688	-4,283	-4,135	-4,951	-17,057	-4,603	-4,492	-4,701	-5,301	-19,097	-4,576	-4,611	-19,870	-19,808
Group	18,235	19,906	19,600	22,661	80,401	20,917	23,935	22,345	24,978	92,175	20,852	22,475	95,261	94,872
EBIT														
Automotive	1,580	2,161	1,697	1,806	7,244	1,794	1,819	1,912	2,311	7,836	1,763	1,821	7,928	7,902
Motorcycles	64	55	27	-34	112	115	112	46	-91	182	94	125	182	182
Financial Services	465	459	456	376	1,756	555	503	465	458	1,981	591	560	2,031	2,041
Other	10	16	31	14	71	40	94	5	30	169	11	10	50	50
Eliminations	-29	-88	45	7	-65	17	-3	-74	-515	-575	-2	-30	-500	-400
Group	2,090	2,603	2,256	2,169	9,118	2,521	2,525	2,354	2,193	9,593	2,457	2,486	9,698	9,779
EBIT margin (%)														
Automotive	9.5	11.7	9.4	8.2	9.6	9.5	8.4	9.1	9.6	9.2	9.4	9.1	9.0	9.0
Motorcycles	13.6	10.4	7.3	-11.0	6.7	20.3	18.0	10.1	-26.2	9.1	16.2	20.4	8.7	8.9
Financial Services	9.5	8.9	8.7	7.1	8.5	9.2	8.2	8.3	7.8	8.3	9.8	8.8	8.3	8.4
Group	11.5	13.1	11.5	9.6	11.3	12.1	10.5	10.5	8.8	10.4	11.8	11.1	10.2	10.3
Financial Income														
Automobiles	63	89	-267	-243	-358	-160	25	-67	-111	-313	-29	-50	-250	-210
Motorcycles	-1	-1	-1	-2	-5	-1	0	-1	-1	-3	0	-1	2	-2
Financial Services	-5	-1	-1	-26	-33	4	-7	-3	0	-6	-21	4	-10	-10
Other	47	9	32	-5	83	-63	50	0	55	42	-13	-10	50	50
Eliminations	-28	-39	-6	-25	-98	-32	-11	-20	-26	-89	-26	-10	0	0
Group	76	57	-243	-301	-411	-252	57	-91	-83	-369	-89	-67	-215	-175
Pre-tax profit														
Automotive	1,643	2,250	1,430	1,563	6,886	1,634	1,844	1,845	2,200	7,523	1,734	1,771	7,678	7,692
Motorcycles	63	54	26	-36	107	114	112	45	-92	179	94	124	184	180
Financial Services	460	458	455	350	1,723	559	496	462	458	1,975	570	564	2,021	2,031
Other	57	25	63	9	154	-23	144	5	85	211	-2	0	100	100
Eliminations	-57	-127	39	-18	-163	-15	-14	-94	-541	-664	-28	-40	-500	-400
Group	2,166	2,660	2,013	1,868	8,707	2,269	2,582	2,263	2,110	9,224	2,368	2,419	9,483	9,604
Pre-tax margin (%)														
Automotive	9.9	12.2	7.9	7.1	9.2	8.6	8.5	8.8	9.2	8.8	9.2	8.8	8.7	8.7
Motorcycles	13.3	10.2	7.0	-11.7	6.4	20.1	18.0	9.9	-26.5	9.0	16.2	20.2	8.8	8.8
Financial Services	9.4	8.9	8.7	6.6	8.4	9.2	8.1	8.2	7.8	8.3	9.5	8.9	8.3	8.3
Group	11.9	13.4	10.3	8.2	10.8	10.8	10.8	10.1	8.4	10.0	11.4	10.8	10.0	10.1
Less tax charge														
Automotive	534	753	499	579	2,365	551	596	607	2,365	2,376	554	584	2,425	2,423
Motorcycles	20	17	8	-11	34	37	37	15	34	55	30	37	57	56
Financial Services	143	143	141	98	525	175	147	138	525	528	154	175	606	609
Other	23	20	38	-32	49	-6	50	62	49	73	-1	0	0	0
Eliminations	-16	-44	13	-36	-83	-4	3	-138	-83	-204	-10	-4	-200	-160
Group	704	889	699	598	2,890	753	833	684	2,890	2,828	727	792	2,888	2,928
Profit after tax														
Automotive	1,109	1,497	931	984	4,521	1,083	1,248	1,238	4,521	5,147	1,180	1,187	5,253	5,269
Motorcycles	43	37	18	-25	73	77	75	30	73	124	64	87	127	125
Financial Services	317	315	314	252	1,198	384	349	324	1,198	1,447	416	389	1,415	1,422
Other	34	5	25	41	105	-17	94	-57	105	138	-1	0	100	100
Eliminations	-41	-83	26	18	-80	-11	-17	44	-80	-460	-18	-36	-300	-240
Group	1,462	1,771	1,314	1,270	5,817	1,516	1,749	1,579	5,817	6,396	1,641	1,627	6,595	6,675
Tax rate (%)														
Automotive	32.5	33.5	34.9	37.0	34.3	33.7	32.3	32.9	34.3	31.6	31.9	33.0	31.6	31.5
Motorcycles	31.7	31.5	30.8	30.6	31.8	32.5	33.0	33.3	31.8	30.7	31.9	29.8	31.0	31.0
Financial Services	31.1	31.2	31.0	28.0	30.5	31.3	29.6	29.9	30.5	26.7	27.0	31.0	30.0	30.0
Group	32.5	33.4	34.7	32.0	33.2	33.2	32.3	30.2	33.2	30.7	30.7	32.8	30.5	30.5

Note: Old FY16E estimates refer to our BMW report of May 2nd. Source: Company data and CGI estimates

Automotive segment – 1Q16A & FY16E

BMW – Auto - results, deliveries and production (1Q14-FY16E)

	1Q14	2Q14	3Q14	4Q14	FY14	1Q15	2Q15	3Q15	4Q15	FY15	1Q16A	Old FY16E	Old FY16E	New FY16E
(EUR m)														
Revenue	16,559	18,504	18,142	21,968	75,173	18,893	21,650	20,970	24,023	85,536	18,814	20,121	88,585	88,293
% change yoy	4.1	1.7	5.5	13.7	6.4	14.1	17.0	15.6	9.4	13.8	-0.4	6.5	3.6	3.2
Gross profit	3,119	3,758	3,301	3,774	13,952	3,385	3,654	3,630	4,468	15,137	3,462	3,385	15,945	16,069
Gross margin (%)	18.8	20.3	18.2	17.2	18.6	17.9	16.9	17.3	18.6	17.7	18.4	16.8	18.0	18.2
EBIT ¹	1,580	2,161	1,697	1,806	7,244	1,794	1,819	1,912	2,311	7,836	1,763	1,821	7,928	7,902
EBIT margin (%)	9.5	11.7	9.4	8.2	9.6	9.5	8.4	9.1	9.6	9.2	9.4	9.1	9.0	9.0
Net financial result	63	89	-267	-243	-358	-160	25	-67	-111	-313	-29	-50	-250	-210
- China JV net profit share	225	201	170	60	658	128	120	95	99	522	75	132	550	505
Pre-tax profit	1,643	2,250	1,430	1,563	6,886	1,634	1,844	1,845	2,200	7,523	1,734	1,771	7,678	7,692
Unit revenue (%-yoy)	-4.2	-3.5	-0.3	2.0	0.0	5.5	8.9	8.1	6.7	5.9	-5.9	0.6	-0.9	-1.5
Cons. unit revenue (%-yoy)	-0.7	-0.2	2.8	5.4	2.0	6.6	7.7	6.6	6.0	11.6	-4.9	1.7	-0.2	-0.8
Units ('000)														
Deliveries ³	487.0	533.2	509.7	588.1	2,118.0	526.7	573.1	545.1	602.7	2,247.5	557.6	557.6	2,349.6	2,354.7
% change yoy	8.7	5.3	5.8	11.5	7.9	8.1	7.5	6.9	2.5	6.1	5.9	5.9	4.5	4.8
Deliveries – cons. comps ²	424.5	463.2	439.0	515.3	1,842.1	454.5	503.0	476.5	531.5	1,965.5	475.7	475.7	2,039.5	2,044.6
% change yoy	4.8	1.9	2.6	7.8	4.4	7.1	8.6	8.5	3.2	6.7	4.7	4.7	3.8	4.0
Production	519.9	552.8	545.9	547.0	2,165.6	556.3	557.0	595.0	571.3	2,279.5	580.3	587.6	2,387.6	2,392.7
% change yoy	7.8	6.3	5.0	12.9	7.9	7.0	0.8	9.0	4.4	5.3	4.3	5.6	4.7	5.0
Over-production	32.9	19.6	36.2	-41.1	47.6	29.6	-16.1	49.9	-31.4	32.0	22.7	30.0	38.0	38.0

Note: Old FY16E estimates refer to our BMW report of May 2nd. Note: 1Q16 retail sales were announced on April 12th. (1) In BMW accounts, EBIT refers to 'profit before financial results' and thus also excludes results from equity accounted investments. (2) See tables for retail sales by model and markets pp.9-10. Source: Company data and CGI estimates

1Q16 EBIT slightly lower, despite 5% higher sales

In 1Q16A, a 4.7% yoy increase in retail sales (at the fully consolidated companies) to 475.7k units generated declines of -0.4% in revenue to EUR 18.81bn and -1.7% in 'EBIT' to EUR 1.76bn/9.4%, marginally missing our and consensus estimates.

The real surprise of the results announcement was a considerably lower than expected divisional revenue, implying a 4.9% yoy decline in unit revenue.

Flat revenue as wholesales trail retail-sales

We understand that the main reason for the lower than expected calculated unit revenue figure was the fact that wholesales (that are actually driving revenue) trailed retail sales, thus implying a considerably higher over-production than the stated 22.7k. (Note that unlike its peers, BMW does not quantify its wholesales). The latter had a positive impact on EBIT and margin and also resulted in an unusually steep increase in inventories and WC. Indeed, inventories of finished goods increased EUR 1.83bn during 1Q16, (compared to EUR 1.46bn in 1Q15 and EUR 1.34bn in 1Q14.). Management are adamant that the 1Q16 inventory build-up is compatible with the seasonal pattern and model cycle.

Currency, namely a weakening of the Chinese renminbi, pound sterling and South African rand, had only a minor dampening effect on revenue of EUR 0.27bn; adjusted for which divisional revenue would have been up 1.0% at EUR 19.08bn,

'EBIT' 1Q16 vs. 1Q15

The key factors behind the muted 1Q16 performance with its small decline in 'EBIT' and margin, despite increases in sales and production, were moderate headwinds from forex & raw materials and pricing, a worse model mix, and last but not least, challenges in the US market.

Net 'other changes' positive

However, management indicated there was a small net positive effect from 'other changes' (the balance of efficiency improvements and upfront investments and higher personnel costs). This is encouraging in view of higher personnel costs, depreciation and marketing costs incurred.

Forex - marginal headwind

We understand that currency and raw materials combined had a marginal negative impact on 'EBIT'.

Pricing softer....

Equally, pricing was marginally down yoy, the result of firmer pricing in Europe and weaker prices in China and the US. The yoy decline in China reflects weaker pricing in 2Q15 and stabilisation from 3Q15 onwards.

...mainly due to China and US

The pricing pressure in the US was due to a combination of a generally more competitive market environment and BMW-specific issues such as a model portfolio increasingly mismatched with market trends. (See discussion below.)

Negative model mix

The model mix was slightly negative, mainly due to a 7.5% yoy sales decline in the ageing core model 5-Series to 82.2k units, and a considerably higher share of compact cars.

Growing share of small and compact cars

In 1Q16, the combined share of small and compact cars increased to 38.1%, from 33.1% in 1Q15. BMW's growing exposure to the B- and C-segment has been driven by an expanding model portfolio on the new group-wide FWD-platform that had been introduced with the launch of the current Mini in April 2014. Since then, the entire Mini portfolio has been renewed, a new X1 (compact SUV) was launched (in October 2015) and two versions of the 2-Series Active Tourer minivan were introduced (in September 2014 and June 2015 respectively).

7-Series...

Although sales of the new 7-Series (launched in October 2015) were up 20.3% yoy, at 10.6k units, 1Q16 was the weakest first quarter for the BMW flagship model in 2010-2014. Although this can be partly attributed to the early stage in the model-cycle and we expect for the rest of the year a growing benefit from the roll-out of all versions globally, we do see structurally lower demand for top-end luxury saloons, going forward.

...but headwinds are gathering

A point in case is a qualitative change in demand in China where customers have increasingly shunned overly ostentatious luxury cars as President Xi Jinping's austerity and anti-corruption drive has gained momentum.

Rolls-Royce

In 1Q16, Rolls-Royce sales continued to decline, by 29.4% to 551 units. Contributing factors were a continuing sales decline in China (by 26.2% to 63 units) and, according to management, political and economic uncertainty in the Middle East.

Model introduction schedule**BMW – Model introductions and segmentation (March'15-April'16)**

Model	Version	Segmentation ¹
BMW		
March	1-Series F/L	3-/5-door hatchback
June	2-Series Gran Tourer	FWD MPV 7-seater
July	3-Series, M3	Saloon/estate F/L
October	X5 xDRIVE 40e	SAV (PHEV, AWD)
October	X1*	Compact SAV* (FWD/AWD)
October	7-Series	Saloon*
February	2-Series AT 225 xe	MPV (PHEV, AWD)
February	3-Series 330e	Saloon, PHEV
February	X4 M40i	Sports-activity 4-door coupé (on X3)*
March	M4 Comp Package	M-version 4-Series Coupé
March	M4 GTS	Limited edition
April	M2	M-version 2-Series Coupé
Mini		
April '15	John Cooper Works	high performance version
October	Clubman	5-door hatch
March	One/Cooper/S	Convertible

(* New generation. F/L=facelift; (1) Segmentation – a) size related: B = small, subcompact; C = lower-medium, compact; D = upper-medium, midsize, E= executive; L=large, full-size; b) body-style related: S=sporty, MPV, SUV; c) market status related: '+' - premium; ++ - 'super-premium'.
Source: Company data and CGI estimates

Challenges in the US	BMW is facing challenges in the US, where it incurred declines in volume and pricing in 1Q16.
Shift in demand towards trucks...	In 1Q16, in the US, the group's LV sales fell -10.8% yoy to 81.6k units, underperforming an over-all market (growing at 3.3%) and a premium segment (declining by some 3%); a 21.2% increase in SUVs (to 32.23k units) failed to compensate for a 23.7% fall in cars (to 49.52k units). This followed an 8.7% decline to 110.0k LVs in 4Q15.
...caught BMW...	BMW has clearly been caught out by a drastic shift in demand away from cars to light trucks (LTs), that has been particularly pronounced in the premium segment. Even in the over-all LV market, in 1Q16, LTs accounted for 58% of US LV sales, up from less than 50% until as recently as early 2014; this trend has been driven by a growing product offering of CUVs and supported by declining gas prices.
...short on SUVs, and long on cars	BMW has clearly been caught out by a drastic shift in demand away from cars to light trucks (LTs), that has been particularly pronounced in the premium segment. Even in the over-all LV market, in 1Q16, LTs accounted for 58% of US LV sales, up from less than 50% until as recently as early 2014; this trend has been driven by a growing product offering of CUVs and supported by declining gas prices.
Inventories and discounts for cars sharply up	As a result, BMW has struggled with an over-supply of cars and an under-supply of SUVs. Indeed, the group's car inventories in the US surged from 56 days on 1/1/16, to 96 days 2/1/16 and have fallen to 55 days on 4/1/16; truck inventories, on the other hand were too tight. BMW has therefore been forced to aggressively discount its car sales.
Management hope to fix the imbalance by mid-year	BMW is working on readdressing this mismatch and management hope to complete the adjustment by end of June. Indeed, the group has already managed to increase the SUV share in its US sales to 39.4% in 1Q16, up from 29.1% in 1Q15 and 35.6% in 4Q15 and 32.6% in FY15.

One of the actions management are taking is to accelerate the ongoing expansion of the production capacity at the Spartanburg plant where all SUVs (but the X1 and Countryman) are assembled. The target is to stabilise the SUV share in group sales at 40% in the US; globally SUVs accounted for 25% in FY15, and a peak of just under 30% in 2012.

BMW – Mainland China – sales & production (1Q14-FY16E)

	1Q14	2Q14	3Q14	4Q14	FY14	1Q15	2Q15	3Q15	4Q15	FY15	1Q16A	Old 1Q16E	Old FY16E	New FY16E
Units ('000)														
China sales	108.1	117.3	111.0	120.2	456.7	115.1	115.7	112.1	121.2	464.1	127.2	127.1	495.5	498.9
Imports	45.6	47.3	40.4	47.5	180.8	42.9	45.0	44.2	50.0	182.1	45.3	45.2	185.4	188.7
Sale of local products	62.5	70.0	70.6	72.8	275.9	72.2	70.1	68.6	71.2	282.0	81.9	81.9	310.1	310.1
Import ratio (%)	42.2	40.3	36.4	39.5	39.6	37.3	38.9	39.4	41.3	39.2	35.6	35.6	37.4	37.8
%-change														
China sales	25.4	21.0	8.4	13.3	16.6	6.4	-1.4	1.0	0.8	1.6	10.5	10.5	6.8	7.5
Imports	6.3	4.9	-17.0	-15.9	-6.4	-6.0	-5.0	9.5	5.3	0.7	5.5	5.4	1.8	3.7
Sale of local products	44.3	35.1	31.4	46.5	39.0	15.5	0.1	-2.9	-2.2	2.2	13.5	13.5	10.0	10.0

Note: Old FY16E estimates refer to our BMW report of May 2nd. Source: Company data and CGI estimates.

PBT up 6.1% due to swing in financials...

...and despite a lower contribution from China JV

FY16E EBIT growth supported by forex

Positives ...

... currency & raw materials, and

... 'other changes'

Pricing neutral at best

Negatives include worse mix

1Q16 pre-tax profit increased 6.1% yoy to EUR 1.73bn/9.28%, thanks to a positive EUR 0.13bn yoy swing in net financial results, thanks to the market evaluation of raw material and currency derivatives.

The share in equity income from BBA, BMW's China JV with Brilliance declined another 21.9% yoy to EUR 0.10bn, despite a 13.5% increase in locally produced retail sales to 81.9k; this is due to a combination of costs related to production start-up of new models such as the X1 LWB, costs related to the on-going capacity expansion and a tougher trading environment. (Note that profits from supplying components, modules and services of an estimated EUR 0.20bn are included in the 'official' EBIT figure.)

FY16E outlook

For FY16E, we expect that a 4.0% increase in fully-consolidated car sales to 2.04m units will generate a 3.2% increase in revenue to EUR 88.29bn and a 0.8% increase in 'EBIT' to EUR 7.90bn/9.0%. This is a considerable slowdown compared to FY15's 8.2% growth in 'EBIT' due to considerably weaker expected tailwinds.

Management guidance for currency and raw materials is a FY16 tailwind of a 'lower three-digit EUR-million amount' that we expect to be mainly driven by raw materials, compared to a EUR 0.46bn tailwind in FY15.

Management also expect for FY16 that 'other changes', i.e. the net balance of efficiency improvements and upfront investments and higher personnel costs will be a positive 'mid-size double-digit EUR-million amount', after a positive EUR 0.11bn in FY15.

We expect that in FY16E pricing will be neutral at best, after a decline by 50-100bpts in FY15. This will be on the condition that the group will achieve better pricing in the US, once it has reduced its excess inventory in cars.

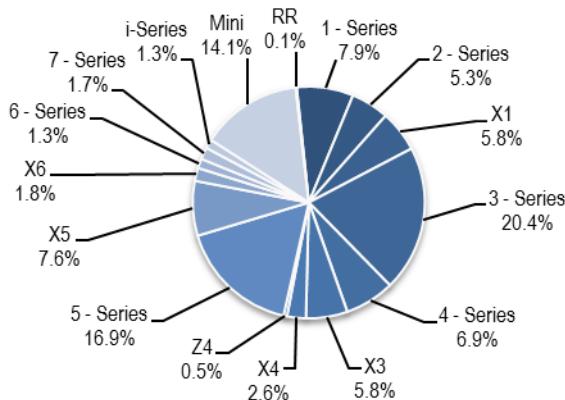
We expect that the model momentum and mix impact will be negative.

This is based on our assumption, that the benefits from the full availability of the 7-Series, following the global roll-out of all version are neutralised by the negative impact from the 5-Series that is rapidly approaching the end of its life-cycle, due to be renewed early 2017.

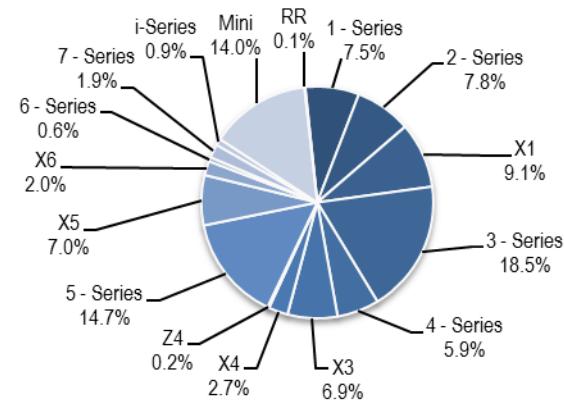
In addition, we expect that the share of vehicles on the FWD platform will grow considerably in FY16E vs. FY15.

We estimate that a net financial charge of EUR-0.21bn that includes a EUR 0.51bn contribution from BBA) will result in an 2.2% increase in pre-tax profit to EUR 7.69bn/8.7%.

BMW – Model-mix retail sales¹ (1Q15)



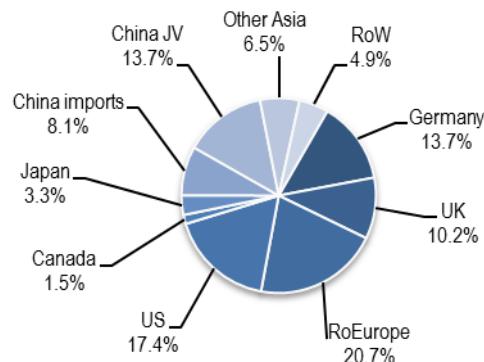
BMW – Model-mix retail sales¹ (1Q16)



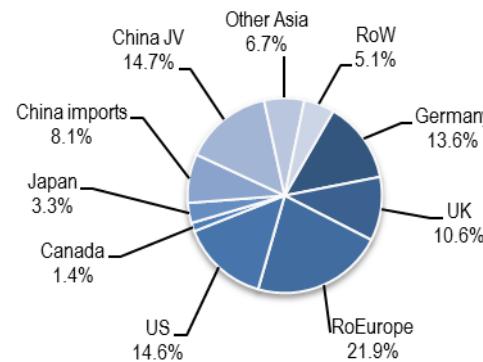
Source: Company data and CGI calculations

Source: Company data and CGI calculations

BMW – Geographic split retail sales (1Q15)



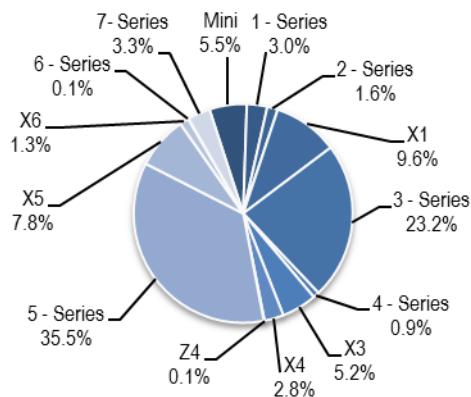
BMW – Geographic split retail sales (1Q16)



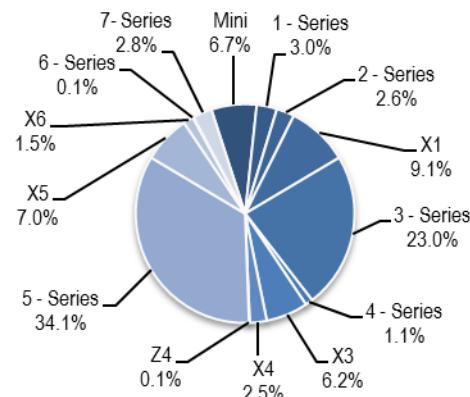
(1) Incl. BBA sales in China. Source: Company data and CGI calculations

(1) Incl. BBA sales in China. Source: Company data and CGI calculations

BMW – Model-mix mainland China (1Q15)



BMW – Model-mix mainland China (1Q16)



Source: Company data and CGI calculations

Source: Company data and CGI calculations

BMW – Automotive CF (1Q14-FY16E)

(EUR m)	1Q14	2Q14	3Q14	4Q14	FY14	1Q15	2Q15	3Q15	4Q15	FY15	1Q16A	1Q16E	Old FY16E	New FY16E
Net profit	1,109	1,497	931	1,563	4,521	1,083	1,248	1,238	2,200	5,147	1,180	1,187	5,253	2016E
Depreciation	935	1,001	1,178	1,116	4,230	1,083	1,103	1,216	1,175	4,577	1,231	1,169	4,677	5,269
Depr./chage leased prods.	-6	12	5	4	15	3	0	0	0	3	0	3	10	4,677
Gross CF	2,038	2,504	2,120	2,104	8,766	2,169	2,348	2,457	2,753	9,727	2,411	2,359	9,940	10
Change in provisions	327	-142	79	770	1,034	144	-68	-240	292	128	-4	100	100	9,956
Other	695	-119	-366	-35	175	431	371	672	953	2,318	697	100	-100	100
CF from operations	3,060	2,249	1,822	2,839	9,975	2,744	2,654	2,886	3,998	12,173	3,104	2,559	9,940	-100
WCR	-918	-889	-181	1,436	-552	-914	354	-531	754	-337	-1,885	-900	-500	9,956
CF- operating activities	2,142	1,360	1,646	4,275	9,423	1,830	3,008	2,246	4,752	11,836	1,219	1,659	9,440	-500
Capital expenditure	-1,227	-1,321	-1,407	-2,066	-6,021	-785	-1,398	-1,429	-2,179	-5,791	-692	-1,087	-6,041	9,456
Other	-202	257	161	-31	185	-912	536	-639	-718	-1,733	319	15	100	-6,041
CF - investment activities	-1,429	-1,064	-1,246	-2,097	-5,836	-1,697	-862	-2,068	-2,897	-7,524	-373	-1,072	-5,941	100
Free CF	713	296	400	2,178	3,587	133	2,146	178	1,855	4,312	846	586	3,499	-5,941
Net inv. in marketable sec	219	-196	-122	-7	-106	927	-649	641	173	1,092	-314	-	0	3,515
Adj. FCF¹	932	100	278	2,171	3,481	1,060	1,497	819	2,028	5,404	532	586-	3,499	0
Dividends	0	-1,707	0	0	-1,707	0	-1,904	0	0	-1,904	0	0	-2,102	3,515
Other application	-1,279	1,051	-1,621	-3,293	-5,142	-5,552	2,249	275	-869	-3,897	1,316	-986	-597	-2,102
Net debt increase/-decrease	566	360	1,221	1,115	3,262	5,419	-2,491	-453	-986	1,489	-2,162	400	-800	-613
Net cash (calculated)	6,631	6,271	5,050	3,935	3,935	-1,484	1,007	1,460	2,446	2,446	4,608	2,046	3,246	-800
Intra-group net receivables	6,365	5,215	7,040	10,288	10,288	16,521	12,588	10,630	14,465	14,465	10,429	-	-	3,246
Net cash - BMW definition	12,996	11,486	12,090	14,223	14,223	15,037	13,595	12,090	16,911	16,911	15,037	-	-	2016E

Note: Old FY16E estimates refer to our BMW report of May 2nd. Source: Company data and CGI estimates

BMW Auto – Retail sales by model series (1Q14 – FY16E)

	1Q14	2Q14	3Q14	4Q14	FY14	1Q15	2Q15	3Q15	4Q15	FY15	1Q16A	Old FY16E	New FY16E
Units ('000)													
- 1 - Series	50.2	47.6	45.2	47.0	190.0	41.5	44.5	45.9	50.2	182.2	41.9	191.3	191.3
- 2 - Series ¹ (incl. ATourer)	2.6	8.5	10.0	20.0	41.0	27.9	36.4	45.8	47.1	157.1	43.7	172.9	172.9
- X1	43.3	36.1	37.4	39.7	156.5	30.4	27.8	24.0	37.8	120.0	51.0	159.6	159.6
- 3 - Series ² (incl. GT)	116.7	119.6	116.8	127.1	480.2	107.3	112.1	112.3	112.7	444.3	103.2	435.5	435.5
- 4 - Series	17.7	29.3	34.8	37.7	119.6	36.5	42.8	34.8	38.2	152.4	32.7	164.6	164.6
- X3	40.1	42.7	33.2	34.9	150.9	30.5	35.9	33.7	37.7	137.8	38.7	151.6	151.6
- X4	0.0	0.4	6.8	14.5	21.7	13.9	14.2	12.8	14.1	55.1	15.0	58.4	58.4
- Z4	3.0	3.2	2.4	2.2	10.8	2.5	2.0	1.7	1.7	8.0	1.3	7.1	7.1
- 5 - Series ² (incl. GT)	91.6	102.0	84.9	94.6	373.1	88.6	85.6	84.6	88.3	347.1	82.2	319.3	319.3
- X5	31.0	37.3	36.7	42.4	147.4	40.2	45.7	39.8	42.4	168.1	39.0	164.8	164.8
- X6	9.2	8.9	5.4	6.9	30.2	9.6	12.5	10.7	13.4	46.3	11.0	53.3	53.3
- 6 - Series	8.2	5.5	4.5	5.8	24.0	7.0	4.4	3.8	5.8	21.0	3.3	18.9	18.9
- 7 - Series	12.7	13.7	9.9	12.2	48.5	8.8	10.5	5.9	11.2	36.4	10.6	52.7	52.7
- i3 & i8	2.0	3.4	5.1	7.3	17.8	6.6	5.9	8.0	8.9	29.5	5.1	35.5	35.5
BMW brand	428.3	458.1	433.1	492.2	1,811.7	451.6	480.5	463.7	509.5	1,905.2	478.7	1,985.3	1,985.3
Mini brand	57.9	74.0	75.6	94.7	302.2	74.3	91.6	80.5	92.0	338.5	78.3	360.5	365.5
Rolls-Royce	0.9	1.1	0.9	1.2	4.1	0.8	1.0	0.8	1.2	3.8	0.6	3.9	3.9
Group	487.0	533.2	509.7	588.1	2,118.0	526.7	573.1	545.1	602.7	2,247.5	557.6	2,349.6	2,354.7
%-change yoy													
- 1 - Series	-6.9	-14.6	-15.3	-7.0	-11.0	-17.2	-6.6	1.4	7.0	-4.1	0.7	5.0	5.0
- 1 & 2 - Series	-2.1	0.5	3.4	32.6	8.2	31.6	44.1	65.9	45.4	46.8	23.1	7.3	7.3
- X1	14.8	-12.8	0.0	-11.5	-3.0	-29.6	-23.0	-35.7	-5.0	-23.3	67.7	33.0	33.0
- 3 - Series	6.7	-6.8	-8.8	-5.5	-4.0	-8.0	-6.3	-4.3	-11.0	-7.5	-3.8	-2.0	-2.0
- 3 & 4 - Series	22.9	16.0	17.6	11.0	16.4	7.0	4.0	-3.2	-8.3	-0.5	-5.5	0.6	0.6
- X3	10.9	2.2	-7.8	-19.5	-4.1	-23.9	-15.9	1.5	8.0	-8.7	27.2	10.0	10.0
- Z4	0.8	-24.5	-22.8	-13.4	-16.0	-15.9	-36.7	-30.0	-21.8	-26.4	-46.7	-10.7	-10.7
- 5 - Series	6.8	8.4	-6.8	-1.6	1.7	-3.3	-16.0	-0.4	-6.7	-7.0	-7.5	-8.0	-8.0
- X5	13.8	46.8	43.4	46.2	37.4	29.7	22.8	8.3	0.1	14.1	-2.9	-2.0	-2.0
- X6	-6.2	-3.5	-34.9	-27.8	-17.6	4.7	41.3	100.4	96.1	53.1	15.1	15.0	15.0
- 6 - Series	33.2	-29.7	-29.1	-21.5	-13.4	-15.2	-19.9	-10.0	-4.4	-12.6	-52.8	-10.0	-10.0
- 7 - Series	2.3	-6.8	-35.4	-9.8	-13.4	-30.5	-23.2	-40.8	-8.7	-25.1	20.3	45.0	45.0
BMW brand	12.3	8.3	6.9	10.5	9.5	5.4	4.9	7.0	3.5	5.2	6.0	4.2	4.2
Mini brand	-12.5	-10.4	0.2	17.2	-0.9	28.4	23.8	6.4	-2.7	12.0	5.4	6.5	8.0
Rolls-Royce	39.7	28.6	8.0	-9.5	11.9	-12.9	-7.7	-6.3	-1.9	-6.8	-29.4	2.8	2.8
Group	8.7	5.3	5.8	11.5	7.9	8.1	7.5	6.9	2.5	6.1	5.9	4.5	4.8
Share (%)													
- 1 - Series	10.3	8.9	8.9	8.0	9.0	7.9	7.8	8.4	8.3	8.1	7.5	8.1	8.1
- 2 - Series	0.5	1.6	2.0	3.4	1.9	5.3	6.3	8.4	7.8	7.0	7.8	7.4	7.3
- X1	8.9	6.8	7.3	6.8	7.4	5.8	4.8	4.4	6.3	5.3	9.1	6.8	6.8
- 3 - Series	24.0	22.4	22.9	21.6	22.7	20.4	19.6	20.6	18.7	19.8	18.5	18.5	18.5
- 4 - Series	3.6	5.5	6.8	6.4	5.6	6.9	7.5	6.4	6.3	6.8	5.9	7.0	7.0
- X3	8.2	8.0	6.5	5.9	7.1	5.8	6.3	6.2	6.3	6.1	6.9	6.5	6.4
- X4	0.1	1.3	2.5	1.0	2.3	2.6	2.5	2.3	2.3	2.4	2.7	2.5	2.5
- Z4	0.6	0.6	0.5	0.4	0.5	0.5	0.4	0.3	0.3	0.4	0.2	0.3	0.3
- 5 - Series	18.8	19.1	16.7	16.1	17.6	16.8	14.9	15.5	14.6	15.4	14.7	13.6	13.6
- X5	6.4	7.0	7.2	7.2	7.0	7.6	8.0	7.3	7.0	7.5	7.0	7.0	7.0
- X6	1.9	1.7	1.1	1.2	1.4	1.8	2.2	2.0	2.2	2.1	2.0	2.3	2.3
- 6 - Series	1.7	1.0	0.9	1.0	1.1	1.3	0.8	0.7	1.0	0.9	0.6	0.8	0.8
- 7 - Series	2.6	2.6	1.9	2.1	2.3	1.7	1.8	1.1	1.9	1.6	1.9	2.2	2.2
- i3 & i8	0.4	0.6	1.0	1.2	0.8	1.3	1.0	1.5	1.5	1.3	0.9	1.5	1.5
BMW brand	87.9	85.9	85.0	83.7	85.5	85.7	83.8	85.1	84.5	84.8	85.9	84.5	84.3
Mini brand	11.9	13.9	14.8	16.1	14.3	14.1	16.0	14.8	15.3	15.1	14.0	15.3	15.5
Rolls-Royce	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2
Group	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Old FY16E estimates refer to our BMW report of May 2nd. Note: 1Q16 retail sales were announced on April 12th (1) 2-Series incl. Active Tourer since 3Q14; (2) 3-Series incl. 3-Series GT since 3Q13; (3) 5-Series incl. 5-Series GT. Source: Company data and CGI estimates

BMW Auto – Retail sales by region (1Q14 – FY16E)											Old	New		
	1Q14	2Q14	3Q14	4Q14	FY14	1Q15	2Q15	3Q15	4Q15	FY15	1Q16A	1Q16P	FY16E	FY16E
Units ('000)														
- Germany	62.5	71.8	63.8	74.3	272.3	64.6	73.2	70.8	77.5	286.1	66.6	75.8	300.4	297.5
- UK	46.5	49.7	54.4	54.4	205.1	53.5	57.3	60.7	59.5	231.0	59.2	59.1	251.8	251.8
- Other Europe	105.2	110.5	99.0	122.5	437.2	116.7	123.1	111.7	131.8	483.3	131.3	122.1	528.3	531.1
Europe	214.2	232.0	217.2	251.2	914.6	234.8	253.6	243.1	268.8	1,000.4	257.1	257.0	1,080.5	1,080.5
- US	81.2	100.8	94.5	120.5	397.0	91.5	107.9	96.3	110.0	405.7	81.6	81.5	377.3	389.5
- Canada	7.3	10.3	10.5	10.2	38.3	7.9	12.5	10.9	10.8	42.1	8.8	8.8	44.2	44.2
North America	88.5	111.0	105.0	130.7	435.2	99.4	120.5	107.2	120.8	447.8	90.4	90.2	421.5	433.7
- Japan	18.9	11.7	15.4	18.0	64.0	17.1	16.8	16.5	18.7	69.2	18.7	18.7	70.9	70.9
- Mainland China	108.1	117.3	111.0	120.2	456.7	115.1	115.7	112.1	121.2	464.1	127.2	127.1	495.5	498.9
- o/w imports	45.6	47.3	40.4	47.5	180.8	42.9	45.0	44.2	50.0	182.1	45.3	45.2	185.4	188.7
- o/w JV	62.5	70.0	70.6	72.8	275.9	72.2	70.7	67.9	71.2	282.0	81.9	81.9	310.1	310.1
- Other Asia	31.5	35.3	33.4	37.4	137.6	34.5	37.9	37.4	42.8	152.5	37.1	37.2	152.4	153.7
Asia	158.6	164.4	159.8	175.7	658.4	166.7	170.4	166.1	182.6	685.8	183.0	183.0	718.8	723.5
Rest of World	25.7	25.8	27.9	30.3	109.8	25.7	28.6	28.7	30.4	113.4	27.2	27.4	128.8	117.1
World	487.0	533.2	509.9	587.9	2,118.0	526.7	573.1	545.1	602.7	2,247.5	557.6	557.6	2,349.6	2,354.7
World – cons. comps.	424.5	463.2	439.3	515.1	1,842.1	454.5	502.3	477.1	531.5	1,965.5	475.7	475.7	2,039.5	2,044.6
%-change yoy														
- Germany	-1.4	2.5	9.1	10.3	5.1	3.4	2.0	11.0	4.3	5.0	3.2	5.0	5.0	4.0
- UK	1.8	1.9	3.7	29.0	8.4	15.1	15.3	11.4	9.3	12.6	10.5	10.4	9.0	9.0
- Other Europe	7.2	-0.2	5.4	12.9	6.3	10.9	11.4	12.8	7.6	10.6	12.5	11.8	9.3	9.9
Europe	3.4	1.1	6.0	15.2	6.4	9.6	9.3	11.9	7.0	9.4	9.5	9.4	8.0	8.0
- US	2.7	7.1	5.5	5.8	5.4	12.6	7.1	1.9	-8.7	2.2	-10.8	-11.0	-7.0	-4.0
- Canada	-18.5	10.7	13.0	-0.6	1.3	9.0	22.0	3.2	6.1	10.1	10.6	10.6	4.9	4.9
North America	0.5	7.5	6.2	5.2	5.0	12.3	8.5	2.1	-7.5	2.9	-9.1	-9.2	-5.9	-3.2
- Japan	26.2	-27.1	-1.1	2.1	-0.3	-9.4	44.2	7.4	3.8	8.1	8.9	8.9	2.5	2.5
- China	25.4	21.0	8.4	13.3	16.6	6.4	-1.4	1.0	0.8	1.6	10.5	10.5	6.8	7.5
- o/w imports	6.3	4.9	-17.0	-15.9	-6.4	-6.0	-5.0	9.5	5.3	0.7	5.5	5.4	1.8	3.7
- o/w JV	44.3	35.1	31.4	46.5	39.0	15.5	1.0	-3.8	-2.2	2.2	13.5	13.5	10.0	10.0
- Other Asia	8.7	18.8	4.8	16.3	12.1	9.4	7.2	12.1	14.3	10.8	7.8	8.0	-0.1	0.8
Asia	21.8	15.2	6.6	12.7	13.8	5.1	3.7	3.9	4.0	4.2	9.8	9.8	4.8	5.5
Rest of World	13.3	-16.2	-0.7	2.6	-1.3	0.1	10.6	2.9	0.3	3.3	5.4	6.6	13.6	3.2
World	8.7	5.3	5.9	11.4	7.9	8.1	7.5	6.9	2.5	6.1	5.9	5.9	4.5	4.8
World – cons. comps.	4.8	1.9	2.7	7.8	4.4	7.1	8.5	8.6	3.2	6.7	4.7	4.7	3.8	4.0
Share (%)														
- Germany	12.8	13.5	12.5	12.6	12.9	12.3	12.8	13.0	12.9	12.7	12.0	13.6	12.8	12.6
- UK	9.5	9.3	10.7	9.3	9.7	10.2	10.0	11.1	9.9	10.3	10.6	10.6	10.7	10.7
- Other Europe	21.6	20.7	19.4	20.8	20.6	22.2	21.5	20.5	21.9	21.5	23.5	21.9	22.5	22.6
Europe	44.0	43.5	42.6	42.7	43.2	44.6	44.3	44.6	44.6	44.5	46.1	46.1	46.0	45.9
- US	16.7	18.9	18.5	20.5	18.7	17.4	18.8	17.7	18.2	18.1	14.6	14.6	16.1	16.5
- Canada	1.5	1.9	2.1	1.7	1.8	1.5	2.2	2.0	1.8	1.9	1.6	1.6	1.9	1.9
North America	18.2	20.8	20.6	22.2	20.5	18.9	21.0	19.7	20.0	19.9	16.2	16.2	17.9	18.4
- Japan	3.9	2.2	3.0	3.1	3.0	3.3	2.9	3.0	3.1	3.1	3.3	3.3	3.0	3.0
- China	22.2	22.0	21.8	20.5	21.6	21.9	20.2	20.6	20.1	20.6	22.8	22.8	21.1	21.2
- o/w imports	9.4	8.9	7.9	8.1	8.5	8.1	7.8	8.1	8.3	8.1	8.1	8.1	7.9	8.0
- o/w JV	12.8	13.1	13.9	12.4	13.0	13.7	12.3	12.5	11.8	12.5	14.7	14.7	13.2	13.2
- Other Asia	6.5	6.6	6.5	6.4	6.5	6.5	6.6	6.9	7.1	6.8	6.7	6.7	6.5	6.5
Asia	32.6	30.8	31.3	29.9	31.1	31.6	29.7	30.5	30.3	30.5	32.8	32.8	30.6	30.7
Rest of World	5.3	4.8	5.5	5.2	5.2	4.9	5.0	5.3	5.0	5.0	4.9	4.9	5.5	5.0
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100	100	100.0	100.0	100.0	100.0
World – cons. comps.	87.2	86.9	86.1	87.6	87.0	86.3	87.7	87.5	88.2	87.5	85.3	85.3	86.8	86.8

Note: Old FY16E estimates refer to our BMW report of May 2nd. Note: 1Q16 retail sales were announced on April 12th. Source: Company data and CGI estimates

Financial Services – summary (FY13-1Q16)

BMW – Financial Services (FY13-FY15)

(EUR m)	FY13	1H14	1-3Q14	FY14	1Q15	2Q15	1H15	3Q15	1-3Q15	4Q15	FY15	1Q16
Financial Operations¹												
Business volume	84,347	87,534	91,802	96,390	104,348	-	104,734	-	105,051	-	111,191	110,449
Growth (%)	12.1	6.0	10.6	29.0	22.5	-	19.6	-	14.4	-	15.4	5.8
FS (total assets)	92,330	68,875	38,901	106,316	114,174	-	114,718	-	114,989	-	122,029	120,704
Group (total assets)	138,368	155,288	164,018	154,803	166,090	-	164,647	-	166,269	-	172,174	173,332
FS asset share (%)	66.7	44.4	23.7	68.7	68.7	-	69.7	-	69.2	-	70.9	69.6
FS asset growth (%)	11.6	-24.3	-57.3	27.8	77.7	-	66.6	-	195.6	-	3.2	5.7
Equity	8,407	6,276	8,499	9,357	10,232	-	9,618	-	9,623	-	9,948	10,079
Leverage (Assets/equity) (x)	11.0	11.0	4.6	11.4	11.2	-	11.9	-	11.9	-	12.3	12.0
Contract portfolio¹												
Number of contracts outstanding	4,130,002	4,218,318	4,260,436	4,359,572	4,419,817	-	4,500,056	-	4,580,290	-	4,718,970	4,786,441
Dealer financing												
Contracts outstanding (#)	336,234	330,181	327,985	354,144	348,349	-	353,551	-	352,704	-	392,339	383,954
Managed business volume	13,110	13,311	13,713	14,710	15,719	-	15,584	-	13,713	-	17,156	16,586
Customer financing												
Retail portfolio (#)	3,793,768	3,888,137	3,932,451	4,005,428	4,071,468	-	4,146,505	-	4,227,586	-	4,326,631	4,402,487
Retail share (%)	91.9	92.2	92.3	91.9	92.1	-	92.1	-	92.3	-	91.7	92.0
- Est. loan share - RP (%)	66	66	67	65	65	-	66	-	66	-	65	65
- Est. leasing share - RP (%)	34	34	33	35	35	-	34	-	35	-	35	35
Alphabet Fleet	535,528	541,977	537,355	555,349	563,394	-	572,764	-	537,355	-	602,303	608,924
Fleet share - retail portfolio (%)	14.1	13.9	13.7	13.9	13.8	-	13.8	-	12.7	-	13.9	13.8
Leasing portfolio (EUR m)¹												
Leasing portfolio (group)²	25,914	26,865	28,395	30,165	32,506	-	32,680	-	33,285	-	34,965	34,329
Growth (%)	12.1	6.1	11.6	31.2	24.4	-	21.6	-	17.2	-	15.9	5.6
Leasing portfolio (FS)²	30,230	31,396	33,129	35,366	38,049	-	38,162	-	38,856	-	41,148	40,406
Growth (%)	16.7	7.4	12.9	36.6	24.9	-	21.6	-	17.3	-	16.3	6.2
Implied margin (%)	16.7	16.9	16.7	17.2	17.1	-	16.8	-	16.7	-	17.7	17.7
New retail business												
New retail contracts (EUR m)	39,241	19,491	29,976	41,318	11,789	12,837	24,626	12,649	37,275	13,331	50,606	12,460
%-change	7.0	-0.6	1.7	5.3	27.8	25.1	26.3	20.6	24.3	17.5	22.5	5.7
Nr. retail contracts signed	1,471,385	728,914	1,111,700	1,509,113	384,565	416,961	801,526	420,639	1,222,165	433,796	1,655,961	413,372
%-change	9.7	0.0	0.6	2.6	10.5	9.5	10.0	9.9	9.9	9.2	9.7	7.5
Loan share (%)	66.2	66.4	66.7	65.3	64.6	66.6	65.9	64.8	65.5	64.7	65.3	65.3
Loan %-change	20.7	0.1	0.6	1.2	5.6	12.2	9.0	6.0	8.0	15.1	9.7	8.6
Leasing share (%)	33.8	33.6	33.3	34.7	35.4	33.4	34.2	35.2	34.5	35.3	34.7	34.7
Leasing %-change	27.6	0.0	0.6	5.2	20.6	4.4	11.9	17.8	13.9	-0.3	9.7	5.5
FS penetration of retail car sales^{3,4}												
Group												
Leasing & financing (%)	44.0	40.9	41.8	41.7	44.9	45.3	45.1	48.1	46.1	46.9	46.3	46.1
Leasing (%)	21.5	20.5	21.0	20.9	21.8	20.6	21.2	23.3	21.9	17.9	20.9	21.3
Financing (%)	22.5	20.4	20.8	20.8	23.1	24.7	23.9	24.8	24.2	29.0	25.4	24.8
US												
Leasing & financing (%)	68.4	67.1	67.2	64.1	77.7	69.3	73.5	75.0	74.0	65.6	71.9	84.8
Leasing (%)	41.2	48.8	48.7	46.7	55.1	44.1	49.6	52.9	50.7	46.3	49.6	60.4
Financing (%)	27.2	18.3	18.5	17.4	22.6	25.2	23.9	22.1	23.3	19.3	22.3	24.4
Cost of risk³												
Credit loss ratio (%)	0.46	0.41	0.40	0.50	0.33	0.35	0.34	0.37	0.35	0.43	0.37	0.29
Profit (EUR m)												
EBIT (FS)	1,643	924	1,380	1,756	555	503	1,058	465	1,523	458	1,981	591
EBIT (group)	7,986	4,693	6,949	9,118	2,521	2,525	5,046	2,354	7,400	2,193	9,593	2,457
EBIT (FS/group) (%)	20.6	19.7	19.9	19.3	22.0	19.9	21.0	19.8	20.6	20.9	20.7	24.1
PBT (FS)	1,639	918	1,373	1,723	559	496	1,055	462	1,517	458	1,975	570
PBT (group)	7,913	4,826	6,839	8,707	2,269	2,582	4,851	2,263	7,114	2,110	9,224	2,368
PBT (FS/group) (%)	20.7	19.0	20.1	19.8	24.6	19.2	21.7	20.4	21.3	21.7	21.4	24.1
Earnings (FS)	1,112	632	946	1,112	384	349	733	324	1,057	390	1,112	416

(1) Period end. (2) Leasing portfolio in group accounts at production costs and at the division at list price. (3) Data is YTD; therefore, 2Q, 3Q and 4Q are implied. (4) Financing ratio relates to retail sales only in countries where FS is operating. Source: Company data and CGI calculations.

Group estimates 2016E-18E

BMW Group – P&L by division (2010-18E)

BMW – P&L by division (2010-18E)

(EUR m)	2010	2011	2012	2013	2014	2015	New 2016E	New 2017E	New 2018E	Old 2016E	Old 2017E	Old 2018E
Revenue												
Automotive	54,137	63,229	70,208	70,629	75,173	85,536	88,293	89,757	92,709	88,585	90,037	92,993
Motorcycles	1,304	1,436	1,490	1,504	1,679	1,990	2,050	2,152	2,260	2,090	2,194	2,304
Financial Services	16,617	17,510	19,550	19,874	20,599	23,739	24,332	25,549	26,827	24,451	25,674	26,957
Other	4	5	5	6	7	7	5	5	5	5	5	5
Eliminations ¹	-11,585	-13,359	-14,405	-15,955	-17,057	-19,097	-19,808	-20,210	-20,915	-19,870	-20,268	-20,974
Group	60,477	68,821	76,848	76,058	80,401	92,175	94,872	97,253	100,885	95,261	97,642	101,285
EBIT												
Automotive	4,355	7,477	7,599	6,657	7,244	7,836	7,902	8,168	8,483	7,928	8,193	8,509
Motorcycles	71	45	9	79	112	182	185	193	207	189	196	211
Financial Services	1,201	1,763	1,558	1,643	1,756	1,981	2,041	2,141	2,241	2,031	2,131	2,231
Other	-41	-19	58	44	71	169	50	50	50	50	50	50
Eliminations ¹	-475	-1,248	-949	-437	-65	-575	-400	-450	-500	-500	-550	-600
Group	5,111	8,018	8,275	7,986	9,118	9,593	9,779	10,101	10,481	9,698	10,021	10,401
EBIT margin (%)												
Automobiles	8.0	11.8	10.8	9.4	9.6	9.2	9.0	9.1	9.2	9.0	9.1	9.2
Motorcycles	5.4	3.1	0.6	5.3	6.7	9.1	9.1	9.0	9.2	9.1	9.0	9.2
Financial Services	7.2	10.1	8.0	8.3	8.5	8.3	8.4	8.4	8.4	8.3	8.3	8.3
Group	8.5	11.7	10.8	10.5	11.3	10.4	10.3	10.4	10.4	10.2	10.3	10.3
Financial Income												
Automotive	-468	-654	-429	-96	-358	-313	-210	-250	-300	-250	-325	-300
Motorcycles	-6	-4	-3	-3	-5	-3	-5	-5	-5	-5	-5	-5
Financial Services	13	27	3	-4	-33	-6	-10	-10	-10	-10	-10	-10
Other	86	-149	-55	120	83	42	50	50	50	50	50	50
Eliminations ¹	117	145	12	-90	-98	-89	0	0	0	0	0	0
Group	-258	-635	-472	-73	-411	-369	-175	-215	-265	-215	-290	-265
Pre-tax profit												
Automotive	3,887	6,823	7,170	6,561	6,886	7,523	7,692	7,918	8,183	7,678	7,868	8,209
Motorcycles	65	41	6	76	107	179	180	188	202	184	191	206
Financial Services	1,214	1,790	1,561	1,639	1,723	1,975	2,031	2,131	2,231	2,021	2,121	2,221
Other	45	-168	3	164	154	211	100	100	100	100	100	100
Eliminations ¹	-358	-1,103	-937	-527	-163	(664)	-400	-450	-500	-500	-550	-600
Group	4,853	7,383	7,803	7,913	8,707	9,224	9,604	9,886	10,216	9,483	9,731	10,136
Pre-tax margin (%)												
Automobiles	7.2	10.8	10.2	9.3	9.2	8.8	8.7	8.8	8.8	8.7	8.7	8.8
Motorcycles	5.0	2.9	0.4	5.1	6.4	9.0	8.8	8.7	8.9	8.8	8.7	8.9
Financial Services	7.3	10.2	8.0	8.2	8.4	8.3	8.3	8.3	8.3	8.3	8.3	8.2
Group	8.0	10.7	10.2	10.4	10.8	10.0	10.1	10.2	10.1	10.0	10.0	10.0
Less tax charge												
Automotive	1,280	1,832	2,453	2,153	2,365	2,376	2,423	2,534	2,619	2,425	2,518	2,627
Motorcycles	20	12	22	25	34	55	56	58	63	57	59	64
Financial Services	446	1,053	545	527	525	528	609	703	736	606	700	733
Other	-22	-37	-5	68	49	73	0	0	0	0	0	0
Eliminations ¹	-114	-384	-323	-200	-83	-204	-160	-180	-200	-200	-220	-240
Group	1,610	2,476	2,692	2,573	2,890	2,828	2,928	3,115	3,217	2,888	3,057	3,184
Profit after tax												
Automotive	2,607	4,991	4,717	4,408	4,521	5,147	5,269	5,384	5,564	5,253	5,350	5,582
Motorcycles	45	29	-16	51	73	124	125	129	139	127	132	142
Financial Services	768	737	1,016	1,112	1,198	1,447	1,422	1,428	1,495	1,415	1,421	1,488
Other	67	-131	8	96	105	138	100	100	100	100	100	100
Eliminations ¹	-244	-719	-614	-327	-80	-460	-240	-270	-300	-300	-330	-360
Group	3,243	4,907	5,111	5,340	5,817	6,396	6,675	6,771	6,998	6,595	6,674	6,952
Tax rate (%)												
Automotive	32.9	26.9	34.2	32.8	34.3	31.6	31.5	32.0	32.0	31.6	32.0	32.0
Motorcycles	30.8	29.3	366.7	32.9	31.8	30.7	31.0	31.0	31.0	31.0	31.0	31.0
Financial Services	36.7	58.8	34.9	32.2	30.5	26.7	30.0	33.0	33.0	30.0	33.0	33.0
Group	33.2	33.5	34.5	32.5	33.2	30.7	30.5	31.5	31.5	30.5	31.4	31.4

Note: Old 2016E-18E estimates refer to our BMW report of May 2nd. Source: Company data and CGI estimates

Automotive segment – 2010-18E

BMW – Automotive profitability (2010-2018E)

	2010	2011	2012	2013	2014	2015	New	New	New	Old	Old	Old
	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E	2016E	2017E	2018E
Retail sales ('000)	1,461.2	1,669.0	1,845.2	1,963.8	2,118.0	2,247.5	2,354.7	2,433.0	2,557.1	2,349.6	2,427.4	2,551.3
Change (%)	13.6	14.2	10.6	6.4	7.9	6.1	4.8	3.3	5.1	4.5	3.3	5.1
Retail sales-cons. comps ('000)	1,407.5	1,574.6	1,704.0	1,765.3	1,842	1,965.5	2,044.6	2,068.2	2,125.9	2,039.5	2,062.7	2,120.1
Change (%)	13.3	11.9	8.2	3.6	4.4	6.7	4.0	1.2	2.8	3.8	1.1	2.8
Division (EUR m)												
Revenue	54,137	63,229	70,208	70,629	75,173	85,536	88,293	89,757	92,709	88,585	90,037	92,993
Gross profit	9,434	13,065	13,683	12,858	13,952	15,137	16,069	16,515	17,429	15,945	16,567	17,483
'EBIT'	4,355	7,477	7,624	6,657	7,244	7,836	7,902	8,168	8,483	7,928	8,193	8,509
Financial result	-468	-654	-429	-96	-358	-313	-210	-250	-300	-250	-325	-9
- o/w China JV NP share	98	164	271	398	658	522	550	580	630	550	580	630
Pre-tax profit	3,887	6,823	7,195	6,561	6,886	7,523	7,692	7,918	8,183	7,678	7,868	8,209
Margin (%)												
Gross profit	17.4	20.7	19.5	18.2	18.6	17.7	18.2	18.4	18.8	18.0	18.4	18.8
'EBIT'	8.0	11.8	10.9	9.4	9.6	9.2	9.0	9.1	9.2	9.0	9.1	9.2
PBT	7.2	10.8	10.2	9.3	9.2	8.8	8.7	8.8	8.8	8.7	8.7	8.8
Per vehicle (EUR) ¹												
Revenue/vehicle (EUR k)	38.5	40.2	41.2	40.0	40.8	43.5	43.2	43.4	43.6	43.4	43.6	43.9
EBIT/vehicle	3,094	4,749	4,474	3,771	3,933	3,987	3,865	3,949	3,990	3,887	3,972	4,013
Change (%)												
Revenue/vehicle	9.3	4.4	2.6	-2.9	2.0	6.6	-0.8	0.5	0.5	-0.2	0.5	0.5
OP/vehicle	-1550.9	53.5	-5.8	-15.7	4.3	1.4	-3.1	2.2	1.0	-2.5	2.2	1.0

Note: Old 2016E-18E estimates refer to our BMW report of May 2nd. (1) Divisional revenue and EBIT vs. fully consolidated retail sales. Source: Company data and CGI estimates

BMW – Cash flow automotive segment (2010-18E)

(EUR m)	2010	2011	2012	2013	2014	2015	New	New	New	Old	Old	Old
	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E	2016E	2017E	2018E
Net profit	2,607	4,991	4,717	4,408	4,521	5,147	5,269	5,384	5,249	5,253	5,350	5,267
Depreciation	3,762	3,564	3,679	3,745	4,230	4,577	4,677	4,777	4,877	4,677	4,777	4,877
Depreciation leased products	5	29	23	109	15	3	10	10	10	10	10	10
Gross Cash Flow	6,374	8,584	8,419	8,262	8,766	9,727	9,956	10,171	10,136	9,940	10,137	10,154
Increase in provisions	869	577	267	373	1,034	128	100	100	100	100	100	100
Other	1,280	539	100	-200	175	2,318	-100	-100	-100	-100	-100	-100
CF from operations	8,523	9,700	7,545	8,435	9,975	12,173	9,956	10,171	10,136	9,940	10,137	10,154
WCR	-374	-1,590	1,622	1,015	-552	-337	-500	-500	-500	-500	-500	-500
CF- operating activities	8,149	8,110	9,167	9,450	9,423	11,836	9,456	9,671	9,636	9,440	9,637	9,654
Capital expenditure	-3,183	-3,565	-5,074	-6,575	-6,021	-5,791	-6,041	-6,291	-6,541	-6,041	-6,291	-6,541
Other	-2,358	-2,160	-456	-913	185	-1,733	100	100	100	100	100	100
CF -investment activities	-5,541	-5,725	-5,530	-7,488	-5,836	-7,524	-5,941	-6,191	-6,441	-5,941	-6,191	-6,441
Free CF	2,608	2,385	3,637	1,962	3,587	4,312	3,515	3,480	3,195	3,499	3,446	3,213
Net inv. marketable sec.	1,863	781	172	537	-106	1,092	0	0	0	0	0	0
Adj. FCF	4,471	3,166	3,809	2,499	3,481	5,404	3,515	3,480	3,195	3,499	3,446	3,213
Dividends	-197	-852	-1,508	-1,640	-1,707	-1,904	-2,102	-2,200	-2,299	-2,102	-2,200	-2,299
Other application	1,718	-1,686	55	250	-5,142	-3,897	-613	-980	-597	-597	-946	-614
Net debt increase/-decrease	-4,129	153	-2,184	-572	3,262	1,489	-800	-300	-300	-800	-300	-300
Net cash (calculated)	4,594	4,441	6,625	7,197	3,935	2,446	3,246	3,546	3,846	3,246	3,546	3,846
Intra-group net receivables& adj.	6,692	7,947	6,702	4,930	10,288	14,465				-	-	-
Net cash - BMW definition	11,286	12,388	13,327	12,127	14,223	16,911				-	-	-

Note: Old 2016E-18E estimates refer to our BMW report of May 2nd. Source: Company data and CGI estimates

BMW Auto – Retail sales by model series (2010-18E)

	2010	2011	2012	2013	2014	2015	New 2016E	New 2017E	New 2018E	Old 2016E	Old 2017E	Old 2018E
Units ('000)												
- 1 - Series	196.0	176.4	226.8	213.6	190.0	182.2	191.3	196.0	200.9	191.3	196.0	200.9
- 2 - Series ¹	-	-	-	-	41.0	157.1	172.9	170.0	170.0	172.9	170.0	170.0
- X1	100.0	126.4	147.8	161.4	156.5	120.0	159.6	188.3	222.2	159.6	188.3	222.2
- 3 - Series ²	399.0	384.5	406.8	500.3	480.2	444.3	435.5	379.9	372.3	435.5	379.9	372.3
- 4 - Series				14.8	119.6	152.4	164.6	171.2	178.0	164.6	171.2	178.0
- X3	46.0	117.9	149.9	157.3	150.9	137.8	151.6	159.2	167.1	151.6	159.2	167.1
- X4	-	-	-	-	21.7	55.1	58.4	57.2	56.0	58.4	57.2	56.0
- Z4	24.6	18.8	15.2	12.9	10.8	8.0	7.1	6.4	5.7	7.1	6.4	5.7
- 5 - Series ²	238.5	332.5	359.0	346.7	373.1	347.1	319.3	376.8	448.4	319.3	376.8	448.4
- X5	102.2	104.8	108.5	107.2	147.4	168.1	164.8	156.5	148.7	164.8	156.5	148.7
- X6	46.4	40.8	43.7	36.7	30.2	46.3	53.3	50.6	48.1	53.3	50.6	48.1
- 6 - Series	5.8	9.4	23.2	27.7	24.0	21.0	18.9	17.9	17.0	18.9	17.9	17.0
- 7 - Series	65.8	68.8	59.2	56.0	48.5	36.4	52.7	55.4	49.8	52.7	55.4	49.8
- i3	-	-	-	0.3	16.1	24.2	30.0	40.0	45.0	30.0	40.0	45.0
- i8	-	-	-	-	1.7	5.4	5.5	5.0	5.0	5.5	5.0	5.0
BMW brand	1,224.3	1,380.4	1,540.1	1,655.1	1,811.7	1,905.2	1,985.3	2,030.4	2,134.5	1,985.3	2,030.4	2,134.5
Mini brand	234.2	285.1	301.5	305.0	302.2	338.5	365.5	398.4	418.4	360.5	392.9	412.6
Rolls-Royce	2.7	3.5	3.6	3.6	4.1	3.8	3.9	4.1	4.3	3.9	4.1	4.3
Group	1,461.2	1,669.0	1,845.2	1,963.8	2,118.0	2,247.5	2,354.7	2,433.0	2,557.1	2,349.6	2,427.4	2,551.3
% change												
- 1 - Series	-9.7	-10.0	28.6	-5.8	-11.0	-4.1	5.0	2.5	2.5	5.0	2.5	2.5
- 2 - Series	-	-	-	-	-	282.9	10.0	-1.7	0.0	10.0	-1.7	0.0
- X1	1076.5	26.4	16.9	9.2	-3.0	-23.3	33.0	18.0	18.0	33.0	18.0	18.0
- 3 - Series	0.5	-3.6	5.8	23.0	-4.0	-7.5	-2.0	-12.8	-2.0	-2.0	-12.8	-2.0
- 4 - Series	-	-	-	-	710.0	27.4	8.0	4.0	4.0	8.0	4.0	4.0
- X3	-17.3	156.4	27.1	5.0	-4.1	-8.7	10.0	5.0	5.0	10.0	5.0	5.0
- X4	-	-	-	-	-	153.8	6.0	-2.0	-2.0	6.0	-2.0	-2.0
- Z4	8.0	-23.5	-18.9	-15.6	-16.0	-26.4	-10.7	-10.0	-10.0	-10.7	-10.0	-10.0
- 5 - Series	35.5	39.4	8.0	-3.4	1.7	-7.0	-8.0	18.0	19.0	-8.0	18.0	19.0
- X5	15.0	2.6	3.5	-1.2	37.4	14.1	-2.0	-5.0	-5.0	-2.0	-5.0	-5.0
- X6	11.4	-12.0	7.0	-16.0	-17.6	53.1	15.0	-5.0	-5.0	15.0	-5.0	-5.0
- 6 - Series	-32.4	60.7	146.8	19.4	-13.4	-12.6	-10.0	-5.0	-5.0	-10.0	-5.0	-5.0
- 7 - Series	24.9	4.5	13.9	-5.4	-13.4	-25.1	45.0	5.0	-10.0	45.0	5.0	-10.0
- i3	-	-	-	-	NM	50.5	24.2	33.3	12.5	24.2	33.3	12.5
- i8	-	-	-	-	-	207.3	2.8	-9.1	0.0	2.8	-9.1	0.0
BMW brand	14.6	12.8	11.6	7.5	9.5	5.2	4.2	2.3	5.1	4.2	2.3	5.1
Mini brand	8.1	21.7	5.8	1.2	-0.9	12.0	8.0	9.0	5.0	6.5	9.0	5.0
Rolls-Royce	170.6	30.5	1.0	1.5	11.9	-6.8	2.8	5.0	5.0	2.8	5.0	5.0
Group	13.6	14.2	10.6	6.4	7.9	6.1	4.8	3.3	5.1	4.5	3.3	5.1
Share (%)												
- 1 - Series	13.4	10.6	12.3	10.9	9.0	8.1	8.1	8.1	7.9	8.1	8.1	7.9
- 2 - Series	-	-	-	-	1.9	7.0	7.3	7.0	6.6	7.4	7.0	6.7
- X1	6.8	7.6	8.0	8.2	7.4	5.3	6.8	7.7	8.7	6.8	7.8	8.7
- 3 - Series	27.3	23.0	22.0	25.5	22.7	19.8	18.5	15.6	14.6	18.5	15.7	14.6
- 4 - Series	-	-	-	0.8	5.6	6.8	7.0	7.0	7.0	7.0	7.1	7.0
- X3	3.1	7.1	8.1	8.0	7.1	6.1	6.4	6.5	6.5	6.6	6.6	6.6
- X4	-	-	-	-	1.0	2.4	2.5	2.4	2.2	2.5	2.4	2.2
- Z4	1.7	1.1	0.8	0.7	0.5	0.4	0.3	0.3	0.2	0.3	0.3	0.2
- 5 - Series	16.3	19.9	19.5	17.7	17.6	15.4	13.6	15.5	17.5	13.6	15.5	17.6
- X5	7.0	6.3	5.9	5.5	7.0	7.5	7.0	6.4	5.8	7.0	6.4	5.8
- X6	3.2	2.4	2.4	1.9	1.4	2.1	2.3	2.1	1.9	2.3	2.1	1.9
- 6 - Series	0.4	0.6	1.3	1.4	1.1	0.9	0.8	0.7	0.7	0.8	0.7	0.7
- 7 - Series	4.5	4.1	3.2	2.9	2.3	1.6	2.2	2.3	1.9	2.2	2.3	2.0
- i3	-	-	-	0.0	0.8	1.1	1.3	1.6	1.8	1.3	1.6	1.8
- i8	-	-	-	-	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
BMW brand	83.8	82.7	83.5	84.3	85.5	84.8	84.3	83.5	83.5	84.5	83.6	83.7
Mini brand	16.0	17.1	16.3	15.5	14.3	15.1	15.5	16.4	16.4	15.3	16.2	16.2
Rolls-Royce	0.2											
Group	100.0											

Note: Old 2016E-18E estimates refer to our BMW report of May 2nd. (1) 2-Series incl. Active Tourer since 3Q14; (2) 3-Series incl. 3-Series GT since 3Q13; (3) 5-Series incl. 5-Series GT. Source: Company data and CGI estimates

BMW Automobile – Retail sales by region (2010-2018E)

	2010	2011	2012	2013	2014	2015	New 2016E	New 2017E	New 2018E	Old 2016E	Old 2017E	Old 2018E
Units ('000)												
- Germany	267.2	285.3	287.4	259.2	272.3	286.1	297.5	305.0	314.1	300.4	307.9	317.2
- UK	154.8	167.5	174.5	189.1	205.1	231.0	251.8	256.8	264.5	251.8	256.8	264.5
- Other Europe	369.3	405.7	403.5	411.2	437.2	483.3	531.1	561.9	590.0	528.3	559.0	587.0
Europe	791.2	858.4	865.4	859.5	914.6	1,000.4	1,080.5	1,123.7	1,168.6	1,080.5	1,123.7	1,168.6
- US	266.6	306.3	348.5	376.6	397.0	405.7	389.5	393.4	405.2	377.3	381.1	392.5
- Canada	31.7	35.0	37.7	37.7	38.3	42.1	44.2	45.9	47.8	44.2	45.9	47.8
North America	298.3	341.3	386.2	414.4	435.2	447.8	433.7	439.3	453.0	421.5	427.0	440.3
- Japan	43.6	47.7	56.7	64.2	64.0	69.2	70.9	71.6	72.4	70.9	71.6	72.4
- China	169.0	233.6	327.3	391.7	456.7	464.1	498.9	538.8	581.9	495.5	535.2	578.0
- o/w imports	115.3	139.2	186.2	193.2	180.8	182.1	188.7	174.1	150.7	185.4	170.5	146.8
- o/w JV	53.7	94.4	141.2	198.5	275.9	282.0	310.1	364.7	431.2	310.1	364.7	431.2
- Other Asia	73.7	94.2	109.4	122.7	137.6	152.5	153.7	149.2	162.4	152.4	147.9	161.0
Asia	286.3	375.5	493.4	578.7	658.4	685.8	723.5	759.7	816.7	718.8	754.8	811.4
Rest of World	85.3	93.8	100.1	111.2	109.8	113.4	117.1	110.3	118.9	128.8	122.0	131.0
World	1,461.2	1,669.0	1,845.2	1,963.8	2,118.0	2,247.5	2,354.7	2,433.0	2,557.1	2,349.6	2,427.4	2,551.3
World – cons. comps.	1,407.5	1,574.6	1,704.0	1,765.3	1,842.1	1,965.5	2,044.6	2,068.2	2,125.9	2,039.5	2,062.7	2,120.1
% change												
- Germany	-0.1	6.8	0.7	-9.8	5.1	5.0	4.0	2.5	3.0	5.0	2.5	3.0
- UK	12.9	8.2	4.2	8.4	8.4	12.6	9.0	2.0	3.0	9.0	2.0	3.0
- Other Europe	3.4	9.8	-0.5	1.9	6.3	10.6	9.9	5.8	5.0	9.3	5.8	5.0
Europe	3.9	8.5	0.8	-0.7	6.4	9.4	8.0	4.0	4.0	8.0	4.0	4.0
- US	10.1	14.9	13.8	8.1	5.4	2.2	-4.0	1.0	3.0	-7.0	1.0	3.0
- Canada	9.5	10.3	7.7	0.0	1.3	10.1	4.9	4.0	4.0	4.9	4.0	4.0
North America	10.1	14.4	13.2	7.3	5.0	2.9	-3.2	1.3	3.1	-5.9	1.3	3.1
- Japan	6.1	9.2	19.0	13.3	-0.3	8.1	2.5	1.0	1.0	2.5	1.0	1.0
- China	86.7	38.2	40.1	19.7	16.6	1.6	7.5	8.0	8.0	6.8	8.0	8.0
- o/w imports	146.2	20.8	33.7	3.8	-6.4	0.7	3.7	-7.8	-13.4	1.8	-8.1	-13.9
- o/w JV	22.9	75.8	49.5	40.6	39.0	2.2	10.0	17.6	18.2	10.0	17.6	18.2
- Other Asia	42.9	27.8	16.1	12.3	12.1	10.8	0.8	-2.9	8.8	-0.1	2.9	8.8
Asia	56.3	31.1	31.4	17.3	13.8	4.2	5.5	5.0	7.5	4.8	5.0	7.5
Rest of World	21.6	9.9	6.8	11.1	-1.3	3.3	3.2	-5.8	7.8	13.6	-5.4	7.4
World	13.6	14.2	10.6	6.4	7.9	6.1	4.8	3.3	5.1	4.5	3.3	5.1
World – cons. comps.	13.3	11.9	8.2	3.6	4.4	6.7	4.0	1.2	2.8	3.8	1.1	2.8
Share (%)												
- Germany	18.3	17.1	15.6	13.2	12.9	12.7	12.6	12.5	12.3	12.8	12.7	12.4
- UK	10.6	10.0	9.5	9.6	9.7	10.3	10.7	10.6	10.3	10.7	10.6	10.4
- Other Europe	25.3	24.3	21.9	20.9	20.6	21.5	22.6	23.1	23.1	22.5	23.0	23.0
Europe	54.1	51.4	46.9	43.8	43.2	44.5	45.9	46.2	45.7	46.0	46.3	45.8
- US	18.2	18.4	18.9	19.2	18.7	18.1	16.5	16.2	15.8	16.1	15.7	15.4
- Canada	2.2	2.1	2.0	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
North America	20.4	20.5	20.9	21.1	20.5	19.9	18.4	18.1	17.7	17.9	17.6	17.3
- Japan	3.0	2.9	3.1	3.3	3.0	3.1	3.0	2.9	2.8	3.0	3.0	2.8
- China	11.6	14.0	17.7	19.9	21.6	20.6	21.2	22.1	22.8	21.1	22.0	22.7
- o/w imports	7.9	8.3	10.1	9.8	8.5	8.1	8.0	7.2	5.9	7.9	7.0	5.8
- o/w JV	3.7	5.7	7.7	10.1	13.0	12.5	13.2	15.0	16.9	13.2	15.0	16.9
- Other Asia	5.0	5.6	5.9	6.3	6.5	6.8	6.5	6.1	6.4	6.5	6.1	6.3
Asia	19.6	22.5	26.7	29.5	31.1	30.5	30.7	31.2	31.9	30.6	31.1	31.8
Rest of World	5.8	5.6	5.4	5.7	5.2	5.0	5.0	4.5	4.6	5.5	5.0	5.1
World	100.0											
World – cons. comps.	96.3	94.3	92.3	89.9	87.0	87.5	86.8	85.0	83.1	86.8	85.0	83.1

Note: Old 2016E-18E estimates refer to our BMW report of May 2nd. ¹Source: Company data and CGI estimates

Group Overview 2010-18E

BMW – overview (2010-18E)

Ordinary share price (EUR)	73.77								
Market capitalisation (EUR bn) ¹	47.91								
No of shares (m) ²	654.7								
	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Values per share (EUR)									
EPS	4.93	7.45	7.75	8.10	8.83	9.70	10.11	10.28	10.63
CFPS	7.20	11.19	5.05	14.78	5.28	1.91	18.22	18.67	19.32
BVPS	39.23	39.69	46.66	54.31	57.05	65.16	55.96	62.80	69.91
DPS - ordinary shares	1.30	2.30	2.50	2.60	2.90	3.20	3.35	3.50	3.70
Free CFPS	3.89	2.02	5.42	2.93	5.35	6.43	5.24	5.19	4.76
Stock market ratios (x)									
P/E	15.0	9.9	9.5	9.1	8.4	7.6	7.3	7.2	6.9
P/CF	10.2	6.6	14.6	18.4	14.0	38.7	4.0	4.0	3.8
P/BV	1.8	1.7	1.6	1.4	1.3	1.1	1.3	1.2	1.1
P/revenue	0.79	0.70	0.62	0.63	0.60	0.52	0.50	0.49	0.47
Dividend yield (%)	1.8	3.1	3.4	3.5	3.9	4.3	4.5	4.7	5.0
Free CF yield (%)	5.3	4.8	7.4	3.9	7.2	8.7	7.1	7.0	6.5
EV (EUR bn)	43.4	41.5	40.3	39.3	41.7	43.7	44.4	46.7	49.2
EV/revenue – industrial (%)	78.3	64.2	56.2	54.5	54.3	50.0	49.2	50.8	51.8
EV/EBITDA - industrial	5.3	3.7	3.5	3.7	3.6	3.5	3.5	3.5	3.6
Group P&L (EUR m)									
Revenue ¹	60,477	68,821	76,848	76,058	80,401	92,175	94,872	97,253	100,885
Gross profit	10,915	14,545	15,494	15,274	17,005	18,132	18,974	19,937	20,883
EBIT	5,111	8,018	8,275	7,986	9,118	9,593	9,779	10,101	10,481
EBIT, full R&D	5,420	8,255	8,316	7,311	8,687	8,695	9,512	9,823	10,192
EBITDA	5,999	11,672	11,991	11,841	13,441	14,279	14,566	12,252	12,610
Profit before tax	4,853	7,383	7,803	7,913	8,707	9,224	9,604	9,886	10,216
Net profit	3,243	4,907	5,111	5,340	5,817	6,396	6,675	6,771	6,998
Less dividends	852	1,508	1,640	1,707	1,904	2,102	2,200	2,299	2,430
Retained profit	2,391	3,399	3,471	3,633	3,913	4,294	4,475	4,473	4,568
CF – automotive segm. (EUR m)									
CF from operations	3,019	8,667	7,545	8,435	9,975	12,173	9,956	10,171	10,136
Working capital	-943	-1,590	1,622	1,015	-552	-337	-500	-500	-500
CF from operating activities	2,076	7,077	9,167	9,450	9,423	11,836	9,456	9,671	9,636
Capital expenditure (incl. R&D)	-428	-3,565	-5,074	-6,575	-6,021	-5,791	-6,041	-6,291	-6,541
Other	-14	-2,160	-456	-913	185	-1,733	100	100	100
Free CF after investment	1,634	1,352	3,637	1,962	3,587	4,312	3,515	3,480	3,195
BS - automotive segm. (EUR m)									
Net cash/-debt	4,594	4,441	6,625	7,197	3,935	2,446	3,246	3,546	3,846
Intra-group receivables	5,690	6,404	5,862	4,460	8,583	11,278	-	-	-
Net cash (BMW definition)	11,286	12,388	13,327	12,127	14,223	16,911	-	-	-
SHFs	23,993	26,154	28,202	30,909	31,045	33,460	51,812	56,840	62,009
Profitability and financial ratios (%)									
Gross profit margin	18.0	21.1	20.2	20.1	21.2	19.7	20.0	20.5	20.7
EBIT margin	8.5	11.7	10.8	10.5	11.3	10.4	10.3	10.4	10.4
Adj. EBIT margin - full R&D	9.0	12.0	10.8	9.6	10.8	9.4	10.0	10.1	10.1
Pre-tax profit margin	8.0	10.7	10.2	10.4	10.8	10.0	10.1	10.2	10.1
Tax rate	33.2	33.5	34.5	32.5	33.2	30.7	30.5	31.5	31.5
Net profit margin	5.4	7.1	6.7	7.0	7.2	6.9	7.0	7.0	6.9
Pay-out ratio	30.9	30.9	32.2	32.1	32.8	33.0	33.1	34.0	34.8
Return on equity	16.1	24.3	23.5	23.1	23.5	15.0	14.2	13.1	12.4
Automotive segment									
Unit sales ('000)	1,461.2	1,669.0	1,845.2	1,963.8	2,118.0	2,247.5	2,354.7	2,433.0	2,557.1
% change	13.6	14.2	10.6	6.4	7.9	6.1	4.8	3.3	5.1
Revenue (EUR m) ³	54,137	63,229	70,208	70,629	75,173	85,536	88,293	89,757	92,709
% change	23.8	16.8	11.0	0.6	6.4	13.8	3.2	1.7	3.3
EBITDA (EUR m)	8,117	11,041	11,278	10,304	10,836	11,682	7,913	8,188	8,189
Margin (%)	15.0	17.5	16.1	14.6	14.4	13.7	9.0	9.1	8.8
EBIT (EUR m)	4,355	7,477	7,599	6,657	7,244	7,836	7,902	8,168	8,483
Margin (%)	8.0	11.8	10.8	9.4	9.6	9.2	9.0	9.1	9.2
Profit before tax (EUR m)	3,887	6,823	7,170	6,561	6,886	7,523	7,692	7,918	8,183
Margin (%)	7.2	10.8	10.2	9.3	9.2	8.8	8.7	8.8	8.8

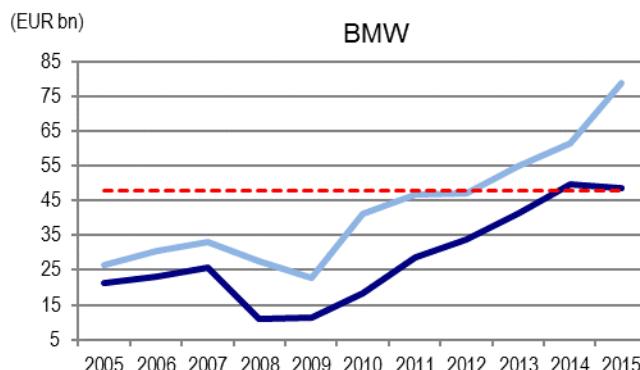
(1) All classes of shares. (2) 602.0m ordinary and 53.6m preferred. Source: Company data and CGI estimates

BMW shares – valuation

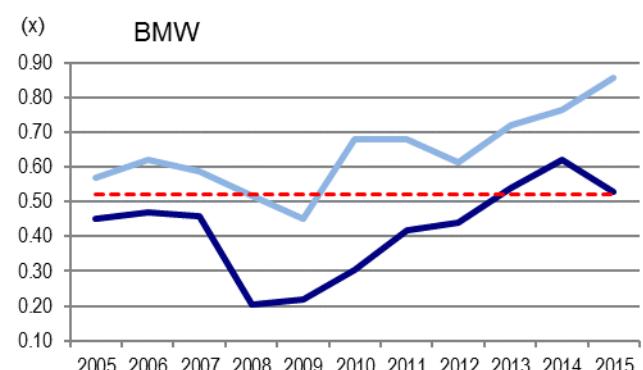
Investment opinion - BUY

At EUR 73.77, BMW shares are valued at 6.9x 2018E earnings, implying a 21% discount to the 10-year low historic valuation of 8.8x. This is inconsistent with the implication that our FY18E EPS estimates of EUR 10.63 are 87% higher than the 10-year average of EUR 5.67. A valuation in line with the 10-year low historic valuation of 8.8x implies a share price of EUR 93.05 at YE18E and time-discounted (yield of 10-year Bund), a target price of EUR 93 at YE16E and a 26% upside potential for BMW shares.

BMW – Market capitalisation – historic range (2005-15) vs. current valuation



BMW – Price/revenue – historic range (2005-15) vs. current valuation (2016E)



BMW – Historic valuation (2005-15)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-yr avg '06-'15	5-yr avg '11-'15
EPS (EUR)	3.33	4.38	4.78	0.49	0.31	4.93	7.45	7.75	8.10	8.83	9.70	5.67	8.37
P/E-high	12.0	10.6	10.6	86.4	115.9	13.1	9.9	9.5	10.5	10.8	12.6	13.2	10.6
P/E-low	9.6	8.1	8.3	34.5	56.8	5.8	6.0	6.9	7.9	8.8	7.8	8.8	7.4
P/E-average	10.8	9.4	9.5	60.4	86.4	9.5	8.0	8.2	9.2	9.1	8.3	10.7	10.7

BMW – Current valuation (2005-18E)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2017E
BMW EPS (EUR)	3.33	4.38	4.78	0.49	0.31	4.93	7.45	7.75	8.10	8.83	9.70	10.11	10.28	10.63
Current BMW PE (x)	22.1	16.9	15.4	NM	NM	15.0	9.9	9.5	9.1	8.4	7.6	7.3	7.2	6.9
% vs. 5-yr high	(10.6x)	109	59	46	NM	NM	42	-6	-10	-14	-21	-28	-31	-34
% vs. 5-yr low	(7.4x)	201	129	110	NM	NM	104	35	29	24	14	3	-1	-6
% vs. 5-yr average	(10.7x)	110	60	46	NM	NM	42	-6	-10	-14	-21	-28	-31	-34
% vs. 10-yr high	(13.2x)	68	28	17	NM	NM	13	-25	-28	-31	-37	-42	-45	-47
% vs. 10-yr low	(8.8x)	153	93	76	NM	NM	71	13	9	4	-5	-13	-17	-21
% vs. 10-yr average	(10.7x)	110	60	46	NM	NM	42	-6	-10	-14	-21	-28	-31	-34

Source: Company data and CGI estimates

BMW – Valuation summary

Current share price	Current P/E 2018E	Target P/E 2018E	Implied price YE 2018E	Target price YE 2016E	Potential TP vs. current price
EUR 73.77	6.9x	8.8x	EUR 93.05	EUR 93	25.8%

% Close 5.12.2016 Source: Company data and CGI estimates

BMW – share price (- 5 years)

— BMW St. (XETRA)



BMW vs. DAX 30 Index (- 5 years)

— DAX

— BMW St. (XETRA)



Short-term technical outlook negative

Chart technical view by Carlo R. Besenius

The BMW shares' short-term technical outlook remains negative. Both RSI and MACD are sloping downwards and are negative. So do the 15-day and 200-day moving averages.

BMW shares, that went off dividend on Friday, are currently testing a critical support level at EUR 76 (short-term trend support). There is a risk that the share price is falling towards its next support levels of EUR 68 and EUR 64.



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