Creative Global Investments

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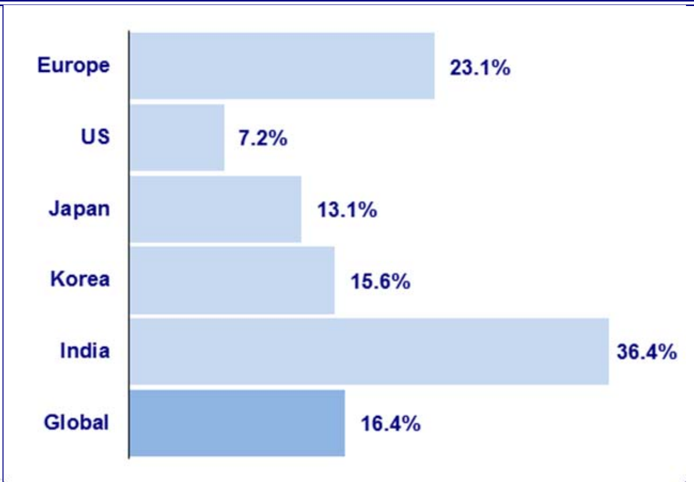
Global Automotive Valuations

September 2012 edition

Prices: 09.21.2012

OEMs – USD % performance in YTD



Trucks – USD % performance in YTD

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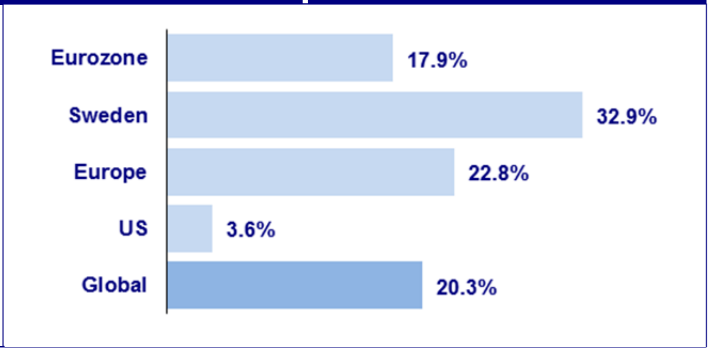

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Summary – Global Automotive Valuations

Valuation summary - OEMs

	YE 2011 Market Cap (USD bn)	YE 2011 Share (%)	Current Market Cap (USD bn)	Current Share (%)	Performance %-YTD (local currency)	%-YTD (USD)
Europe	175.46	30.3	216.06	32.1	23.4	23.1
US	75.49	13.1	80.95	12.0	7.2	7.2
Japan	245.91	42.5	278.08	41.3	13.8	13.1
Korea	63.85	11.0	73.81	11.0	11.9	15.6
India	17.64	3.0	24.05	3.6	37.3	36.4
Global	578.36	100.0	672.94	100.0	-	16.4

Prices: 09.21.2012. Note that Daimler's market cap of USD 55.37bn is included in Europe OEMs as well as in Euro zone Trucks. Source: Company data and CGI calculations

Valuation summary - Trucks

	YE 2011 Market Cap (USD bn)	YE 2011 Share (%)	Current Market Cap (USD bn)	Current Share (%)	Performance %-YTD (local currency)	%-YTD (USD)
Euro zone	69.77	58.4	82.28	57.3	18.2	17.9
Sweden	33.78	28.3	44.90	31.3	26.9	32.9
Europe	103.55	86.7	127.18	88.6		22.8
US	15.84	13.3	16.41	11.4	3.6	3.6
Global	119.38	100.0	143.58	100.0		20.3

Prices: 09.21.2012.Note that Daimler's market cap of USD 55.37bn is included in Europe OEMs as well as in Euro zone Trucks. Source: Company data and CGI calculations

Global LV demand set for 5.5% growth in FY12E and 2013E

Global demand for LVs (light vehicles) is set to grow at a pace of 5.5% in FY12E and 20013E. Although this is expected to exceed global GDP growth, automotive shares have underperformed the global equity markets and are currently valued (in USD-terms) 20% below their pre-crisis 2007 high, and some 10% below their post-crisis high of July 2011. This is in contrast with the performance of the global equity markets, as reflected in the Stoxx Global 1800 index that is trading in line with its post-crisis high and -10% below the pre-crisis one.

Great diversity in performance among OEMs….

At first sight, this is counter-intuitive in view of the fact that the automotive industry is cyclical. However, in our view, this underperformance of the over-all sector can be explained by the fact that globally, the share price performance of OEMs has become increasingly diverse since 2007; a trend we believe is set to intensify going forward.

…reflects growing divergence in demand patterns

We explain the growing dichotomy in the performance of OEMs with the fact that the demand patterns have become increasingly diverse, geographically and in terms of segmentation. Continuing strong growth in demand in emerging markets and the US is in stark contrast to a European market that is deep in crisis, with volumes down 20% since 2007 and unlikely to recover before 2014E. In addition, there is a growing polarisation in demand into premium and discount brands. See for more information the September edition of our publication 'Global Automotive Demand Atlas'. (09.21.2012).

However, the fault line between OEMs that are thriving and those that are struggling is not running along geographic lines, which is in particular the case of the European and Japanese OEMs.

STOXX Global 1800 Automobiles & Parts (USD) (-2 yrs) STOXX Global 1800 (USD) (-2 years)

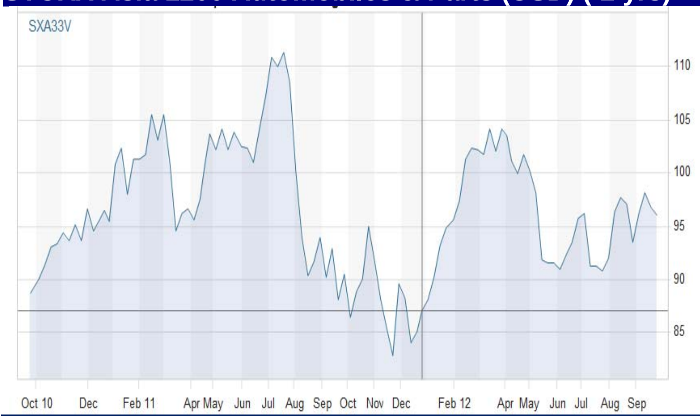
EURO STOXX Automobiles & Parts (USD) (-2 years)

EURO STOXX (USD) (-2 years)

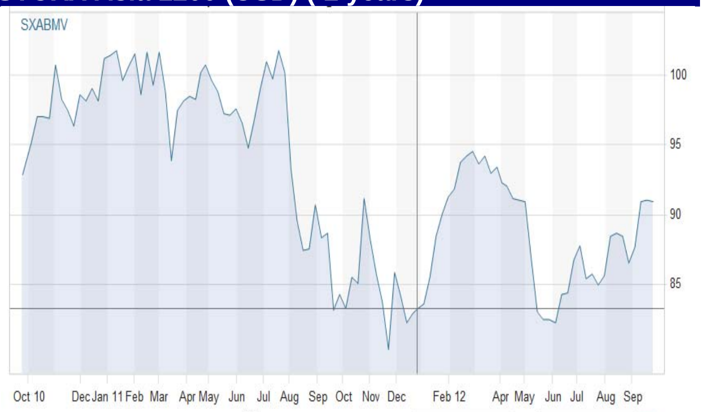
STOXX America Automobiles & parts (USD) (-2 years)

STOXX North America 600 (USD) (-2 years)

STOXX Asia 1200 Automobiles & Parts (USD) (-2 yrs)



STOXX Asia 1200 (USD) (-2 years)



Note: Performance – USD net return

I. Europe – OEMs

European OEMs

OEM	Ticker	Share price	Market cap[1]	Market cap[1]	%-YTD	%-YTD	EPS(A)[2]	EPS(E)[3]	EV	EBITDA[2] margin	PE(A)[2]	PE(E)[3]	Price/ revenue[2]	EV/ EBITDA
		(EUR)	(EUR bn)	(USD bn)	(EUR)	(USD)	(EUR)	(EUR)	(EUR bn)	(%)	(x)	(x)	(x)	(x)
BMW	BMW:GR	59.79	38.24	49.37	15.5	15.2	7.45	8.18	31.9	17.2	8.0	7.3	0.59	2.9
Daimler	DAI:GR	40.21	42.88	55.37	18.7	18.5	5.32	5.21	27.7	11.6	7.6	7.7	0.45	2.5
VW pref.	VOW3:GR	155.05	66.73	86.16	32.8	32.6	33.16	28.90	42.7	12.5	4.7	5.4	0.47	2.4
Fiat	F:IM	4.49	5.61	7.25	30.0	29.8	1.07	0.53	14.7	11.2	4.2	8.4	0.09	2.2
PSA[4]	UG:FP	6.50	2.31	2.98	-46.2	-46.3	2.64	-2.48	-3.9	5.8	2.5	-2.6	0.04	-1.1
Renault	RNO:FP	39.65	11.56	14.93	53.6	53.3	12.70	7.68	3.3	7.8	3.1	5.2	0.28	1.0
Total		-	167.33	216.06	23.4	23.1	-	-	116.4	11.6	5.5	6.3	0.36	2.2

Prices: 09.21.2012. Note: EBITDA, revenue & EV - industrial operations only. (1) All classes of shares. BMW, VOW - ordinary and preferred shares. (2) Actual - FY11. (3) Estimates – FY12E. (4) Performance YTD adjusted for capital increase. Source: Company data, Bloomberg and CGI estimates

German OEMs structurally among best positioned globally

The performance of and outlook for European OEMs are greatly diverse, with the German OEMs among the best positioned globally. Thanks to their strong brands and greater exposure to the German and Northern European car markets that are less affected by the euro crisis, they have managed to maintain sales and profitability even in a contacting European car market. With the global reach of their brands and operations, BMW, Daimler's Mercedes and the VW group have been able to benefit from strong growth in demand in emerging markets and in the global premium segments.

Mercedes-Benz profit warning and stronger euro

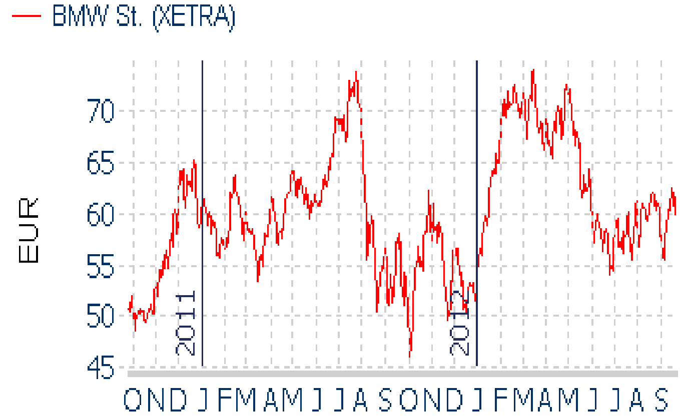
However, a recent profit warning by Daimler, indicating that EBIT at M-B Benz is set to decline after all in FY12, together with a strengthening euro, should be a drag on the share price performances of the German OEMs. This is despite the fact, that the profit warning is in our view predominantly due to a Mercedes-specific underperformance in China and that the recent period of euro-weakness has provided great hedging opportunities that should protect profitability well until 2015.

Peugeot shares lose 80% since July 2011

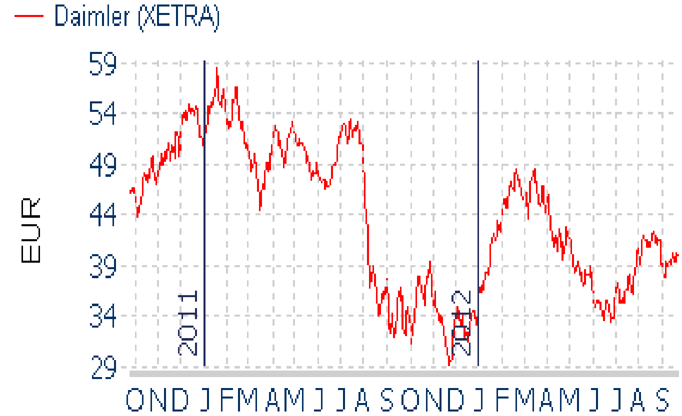
Peugeot shares lost almost 80% since July 1st last year and are now trading near a 26-year low. Since mid-2011, the group's automotive division has been burning through almost EUR 200m cash per month and reported a EUR 0.7bn operating loss in 1H12. The OEM's competitive weaknesses include geographic ones, such as overdependence on Europe, and overexposure to Southern European markets that worst hit by the euro crisis. In terms of segmentation, PSA is overly dependent on small and compact cars. Suffering from a poor brand image and a high cost base, PSA is losing out to premium and discount brands. On Monday, September 24th, Peugeot shares were taken off the CAC 40 index, which should further exacerbate the shares' underperformance.

Although Renault is structurally better positioned than PSA and Fiat, not least due to its alliance with Nissan, we believe that Renault's share price has been boosted greatly by investors switching out of Peugeot shares.

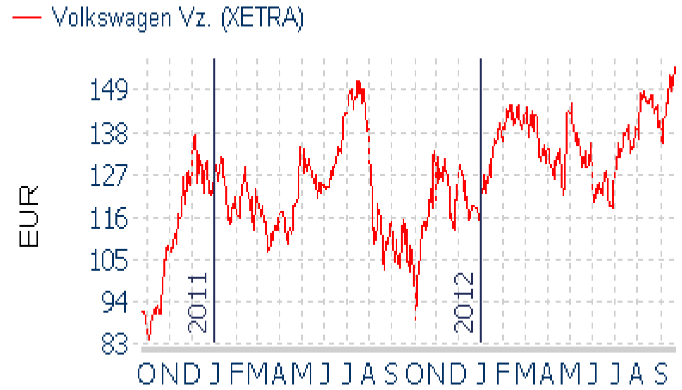
BMW – share price (-2 years)



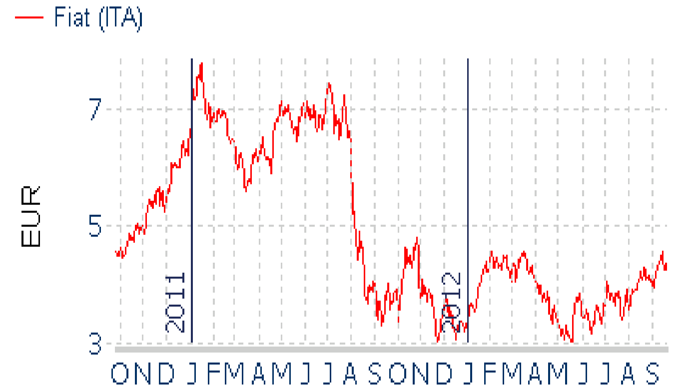
Daimler – share price (-2 years)



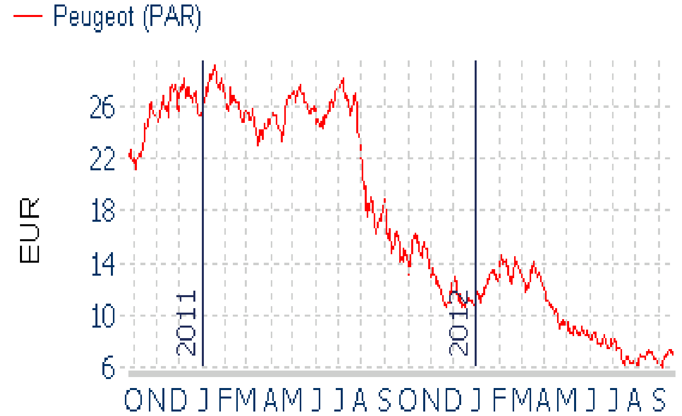
VW – preferred share price (-2 years)



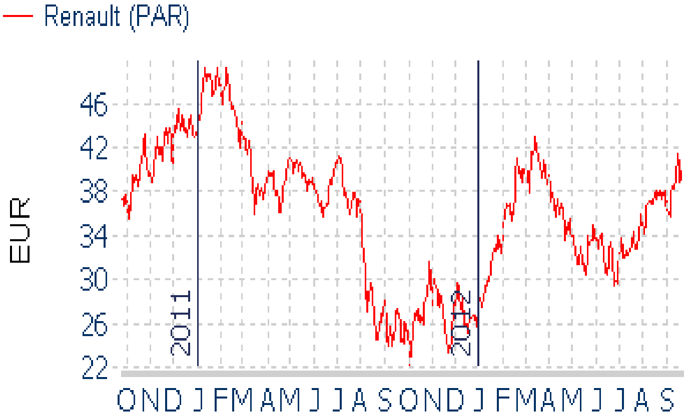
Fiat – share price (-2 years)



Peugeot – share price (-2 years)



Renault – share price (-2 years)



EUR/USD (-2 years)

EUR/JPY/ (-2 years)

II. US – OEMs

US – OEMs

Manufacturer	Ticker	Share price (JPY)	Market cap (USD bn)	%-YTD (USD)	EPS(A)[1] (USD)	EPS(E)[2] (USD)	EV (USD bn)	EBITDA[3] margin (%)	PE(A)[1] (x)	PE(E)[2] (x)	Price/ revenue[3] (x)	EV/ EBITDA (x)
Ford	F:US	10.40	38.95	-2.5	1.23	1.25	102.72	10.0	8.46	8.29	0.29	7.5
GM	GM:US	24.80	38.83	19.4	2.97	3.12	37.54	8.3	8.35	7.94	0.26	3.0
Tesla	TSLA:US	30.02	3.16	5.1	-3.26	-2.75	3.18	-114.9	NM	NM	15.46	NM
Total		-	80.95	7.2	-	-	143.4	9.0	8.7	8.4	0.26	6.0

Prices: 09.21.2012. (1) Actual – trailing twelve months. (2) Estimates – FY12E. (3) Actual – FY11. Source: Company data, Bloomberg and CGI estimates

Since January 2011, GM and Ford have lost 40% in value

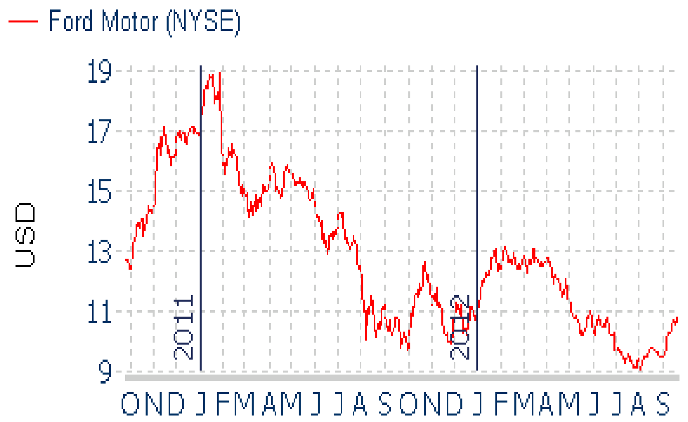
European operations a structural problem

It is only since early August, that the downtrend in GM's and Ford's share prices has reversed somewhat in a booming US equity market. However, despite having outperformed a domestic US LVs market that has grown strongly, by 14% in the YTD, the valuation of GM and Ford has remained 40% below that of January 2011. We attribute this poor share price performance to the US OEMs' loss-making European operations that suffer from structural weaknesses and have sharply underperformed a W European market that has contracted 20% in the past five years.

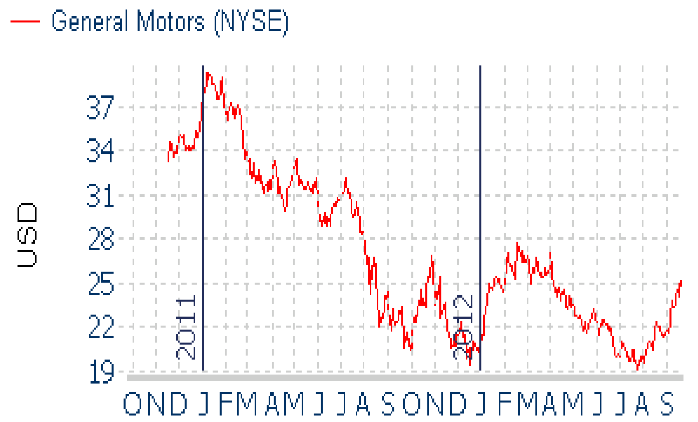
Ford

However, Ford's debt reduction and regaining investment grade in spring are a clear positive and we consider Ford shares to be set for a technical recovery.

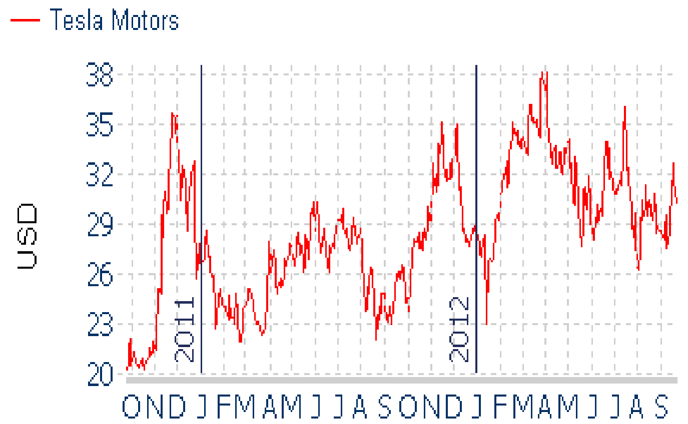
Ford – share price (-2 years)



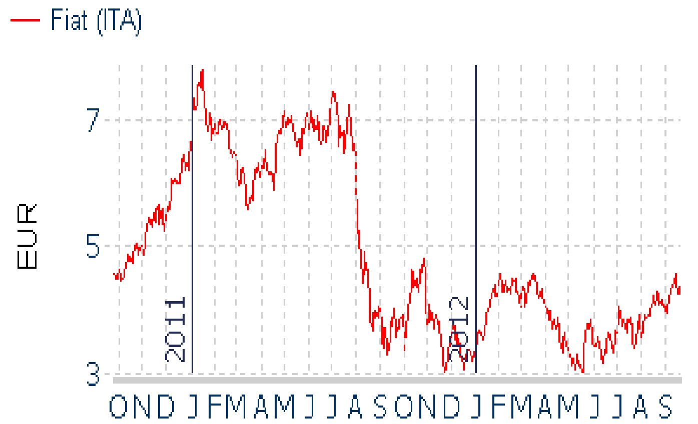
GM – share price (since IPO)



Tesla – share price (since IPO)



Fiat – share price (-2 years)



III. Japan – OEMs

Japan – OEMs

OEM	Ticker	Share price	Market cap	Market cap	%-YTD	%-YTD	EPS(A)[1]	EPS(E)[2]	EV	EBITDA[3] margin	PE(A)[1]	PE(E)[2]	Price/ revenue[3]	EV/ EBITDA
		(JPY)	(JPY bn)	(USD bn)	(JPY)	(USD)	(JPY)	(JPY)	(YPY bn)	(%)	(x)	(x)	(x)	(x)
Toyota	7203:JP	3,200	11,034	141.62	25.8	25.0	90.1	281.8	21,898	7.7	35.5	11.4	0.59	15.4
Honda	7267:JP	2,600	4,710	60.45	12.1	11.4	117.3	283.6	7,700	9.6	22.2	9.2	0.59	10.1
Nissan	7201:JP	701	3,169	40.68	2.5	1.9	81.7	98.0	6,533	12.0	8.6	7.2	0.34	5.8
Suzuki	7269:JP	1,469	824	10.58	-7.4	-7.9	96.1	130.8	1,096	8.9	15.3	11.2	0.33	4.9
Daihatsu	7262:JP	1,312	560	7.19	-2.5	-3.0	152.9	164.9	693	11.2	8.6	8.0	0.34	3.8
Mazda	7261:JP	99	297	3.81	-27.2	-27.6	-57.2	2.4	852	1.5	NM	40.7	0.15	28.3
Mitsubishi	7211:JP	73	404	5.19	-19.8	-20.3	4.3	3.4	483	6.7	16.9	21.3	0.22	4.0
Isuzu	7202:JP	393	667	8.56	11.0	10.3	53.9	49.8	774	9.5	7.3	7.9	0.48	5.8
Total Japan		-	21,665	278.08	13.8	13.1	-	-	40,027	8.8	19.0	9.9	0.48	10.0

Prices: 09.21.2012. (1) Actual – trailing twelve months. (2) Estimates – FY12E. (3) Actual – FY11. Source: Company data, Bloomberg and CGI estimates

Valuations still below 1Q11 levels

Although having managed to stage a sales and earnings recovery following the natural disasters in Japan and Thailand in 2011 that affected their global operations, the Big Three Japanese OEMs, Toyota, Honda and Nissan are currently trading some 20-25% below their 'pre-disaster' (1Q11) valuation.

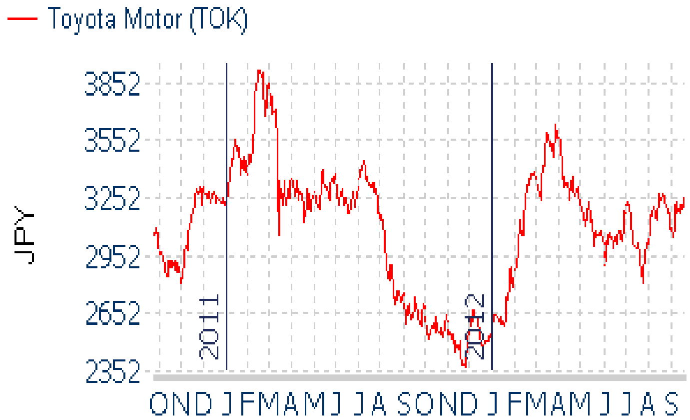
Strong yen

We identify a strong and strengthening yen as the main drawback for the performance of Japanese OEMs in the past and future.

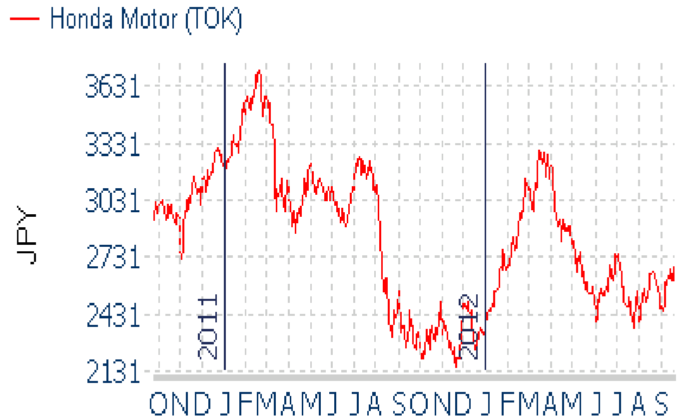
Chinese protests

The recent anti-Japan protests in China are set to become the next great challenge for the Japanese OEMs. We believe that the damage will not be limited to a short-term disruption of production and sales of Japanese branded vehicles in China. Instead, we fear that in the medium term the Japanese brands will become tarnished in an increasingly competitive Chinese automotive market.

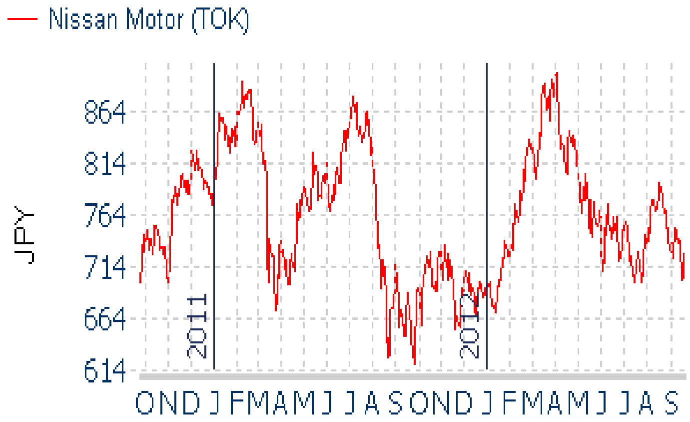
Toyota – share price (-2 years)



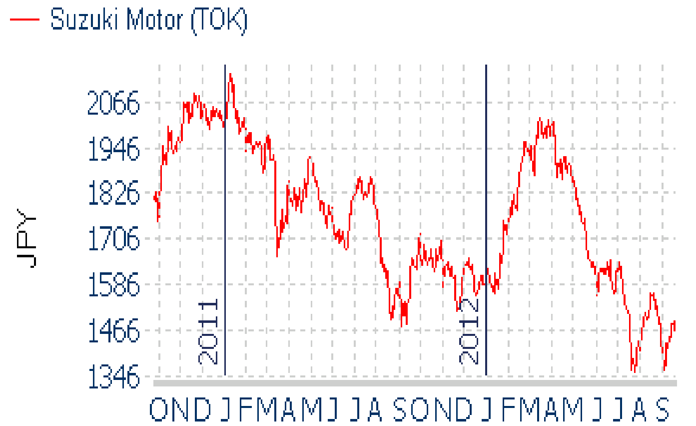
Honda – share price (-2 years)



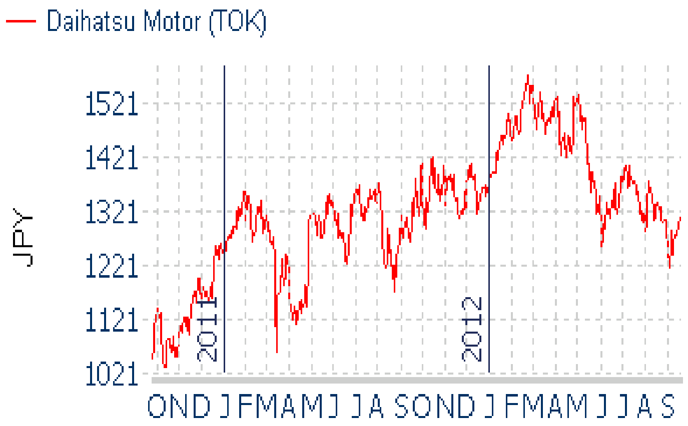
Nissan – share price (-2 years)



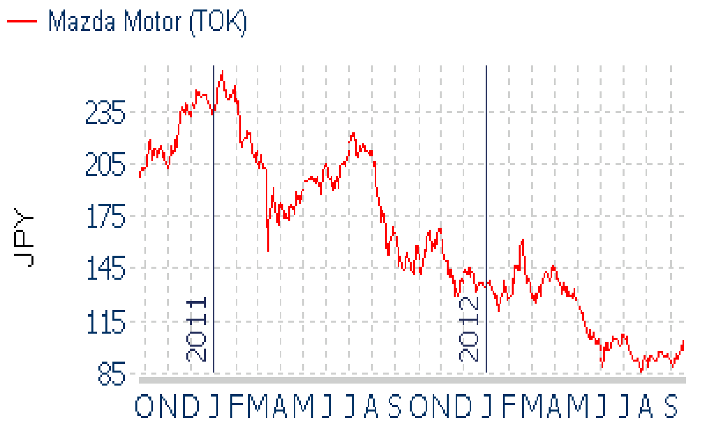
Suzuki – share price (-2 years)



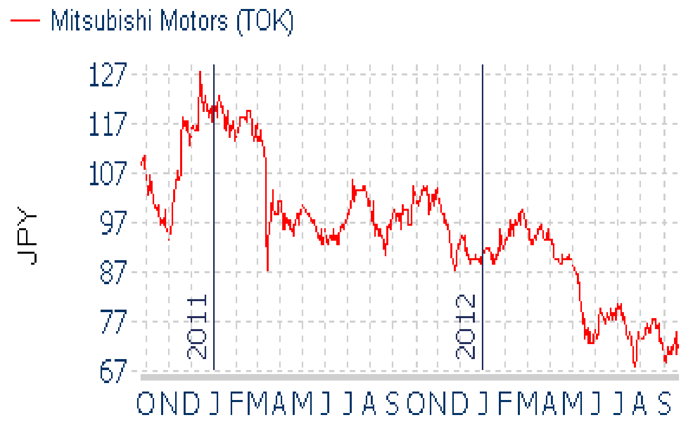
Daihatsu – share price (-2 years)



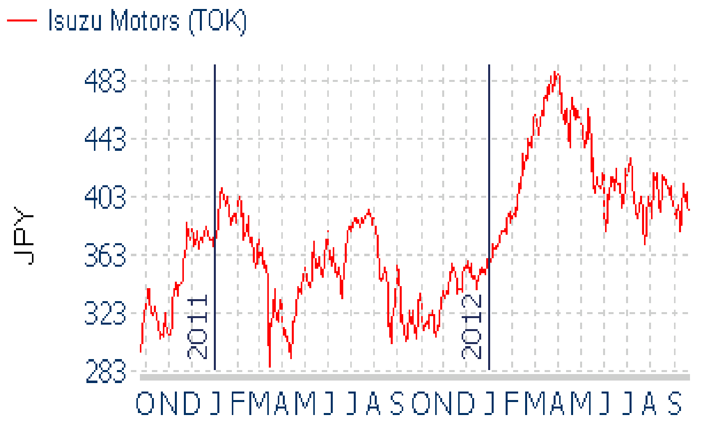
Mazda – share price (-2 years)



Mitsubishi – share price (-2 years)



Isuzu – share price (-2 years)



USD/JPY (-2 years)

EUR/JPY/ (-2 years)

IV. Korea & India - OEMs

Korea & India - OEMs

OEM	Ticker	Share price	Market cap	Market cap	%-YTD	%-YTD	EPS(A)[1]	EPS(E)[2]	EV	EBITDA[3] margin	PE(A)[1]	PE(E)[2]	Price/ revenue[3]	EV/ EBITDA
Korea		(KRW)	(KRW bn)	(USD bn)	(KRW)	(USD)	(KRW)	(KRW)	(KRW bn)	(%)	(x)	(x)	(x)	(x)
Hyundai	005380:KS	241,000	53,087	47.34	13.1	16.9	28,200	35,374	93,449	13.3	8.5	6.8	0.68	9.0
Kia Motors	000270:KS	73,200	29,672	26.46	9.7	13.4	8,573	10,995	32,975	10.4	8.5	6.7	0.69	7.3
Total Korea	-	-	82,760	73.81	11.9	15.6	-	-	126,424	12.2	8.5	6.8	0.68	8.5
India		(INR)	(INR bn)	(USD bn)	(INR)	(USD)	(INR)	(INR)	(INR bn)	(%)	(x)	(x)	(x)	(x)
Tata Motors[4]	TTMT:IN	275.45	809.4	15.13	56.2	55.1	42.59	38.21	1,017	13.5	6.5	7.2	0.49	4.6
Mahindra & Mahindra	MM:IN	808.90	496.6	9.29	18.6	17.8	53.18	59.28	696	12.7	15.2	13.6	0.85	9.4
Total India	-	-	1,306	24.42	39.4	38.4	-	-	1,714	13.3	8.3	8.8	0.59	5.8

Prices: 09.21.2012 (1) Actual – trailing twelve months. (2) Estimates – FY12E. (3) Actual – FY11. (4) Tata Motors – all classes of shares. Source: Company data, Bloomberg and CGI estimates

Koreans going strong

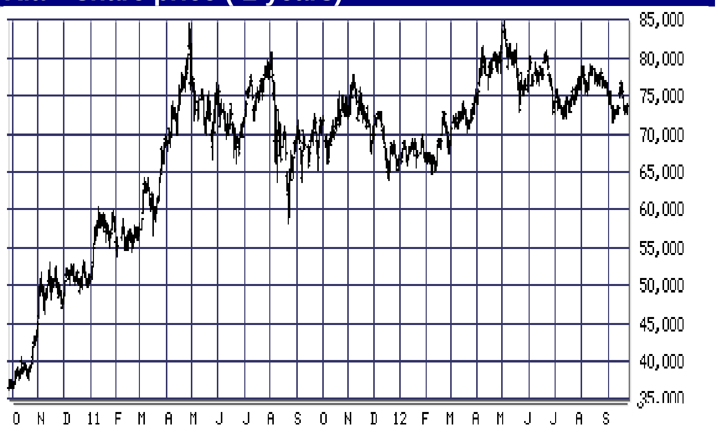
The Korean OEMs' steady share price increase has been driven by continuing growth in vehicle sales and profitability. Both brands have been able to make profitable inroads in mature markets such as the US and Western Europe. With their increasingly attractive product offering (both in quality and desirability) they have been able to gradually increase pricing and are in the process of shedding their image as discount/low cost brands. However, challenges are heightened labour trouble in India and South Korea.

India

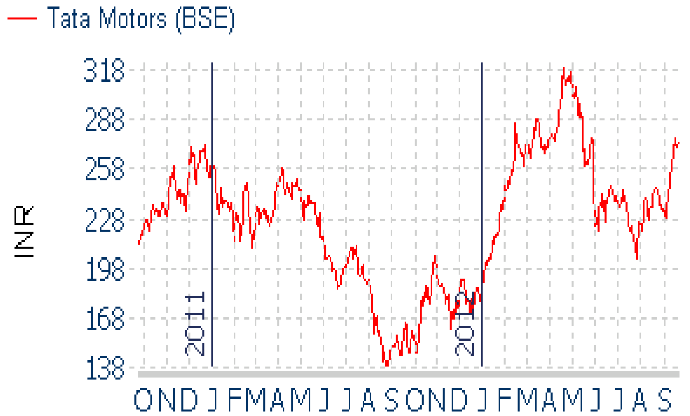
Steps by the Indian authorities to deregulate the financial markets and allow more foreign direct investment in formally closed sectors such as retail and aviation has boosted the Indian equity market. In addition the share prices of Tata Motors and Mahindra & Mahindra have benefited from a strong LV market. However, they face challenges such as heightened labour trouble and suffer from a structural lack of geographic diversification.

Hyundai – share price (-2 years)

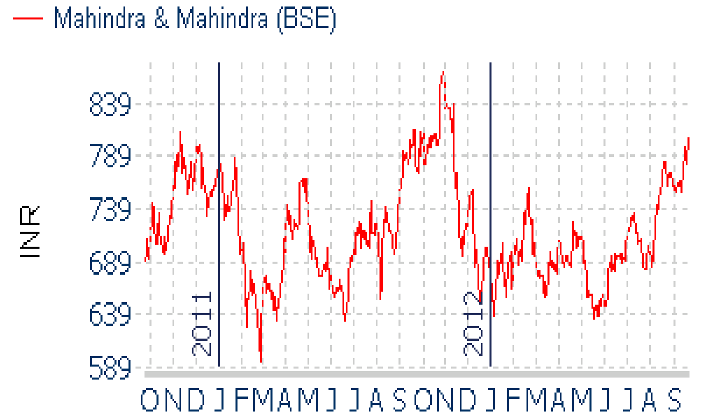
Kia – share price (-2 years)



Tata Motors – share price (-2 years)



Mahindra & Mahindra – share price (-2 years)



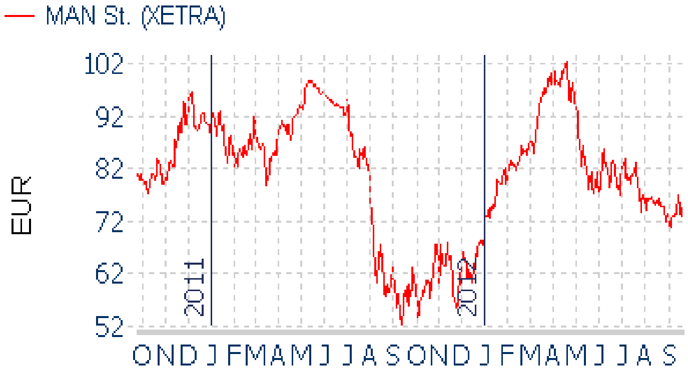
V. Global truck manufacturers

Truck manufacturers

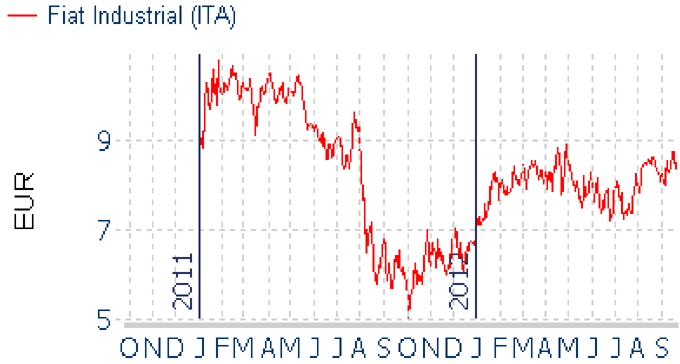
OEM	Ticker	Share price	Market cap[1]	Market cap[1]	%-YTD	%-YTD	EPS(A)[2]	EPS(E)[3]	EV	EBITDA[4] margin	PE(A)[2]	PE(E)[3]	Price/ revenue[4]	EV/ EBITDA
Euro zone		(EUR)	(EUR bn)	(USD bn)	(EUR)	(USD)	(EUR)	(EUR)	(EUR bn)	(EUR bn)	(EUR bn)	(%)	(x)	(x)
Daimler[5]	DAI:GR	40.21	42.88	55.37	18.7	18.5	5.3	5.2	27.7	11.6	7.6	7.7	0.45	2.5
MAN SE	MAN:GR	73.33	10.75	13.89	7.8	7.6	-0.9	3.2	13.0	12.0	-79.7	23.0	0.65	5.5
Fiat Industrial	FI:IM	8.25	10.09	13.02	28.8	28.5	0.6	0.8	25.8	9.7	14.7	11.0	0.42	11.0
Total		-	63.72	82.28	18.2	17.9	-	-	66.5	11.6	10.2	7.4	0.47	4.2
Sweden		(SEK)	(SEK bn)	(USD bn)	(SEK)	(USD)	(SEK)	(SEK)	(SEK bn)	(%)	(x)	(x)	(x)	(x)
AB Volvo	VOLVB:SS	92.00	195.68	29.75	25.8	31.8	8.6	8.1	291.0	13.3	10.7	11.4	0.63	7.1
Scania	SCVB:SS	126.0	99.60	15.14	29.2	35.3	9.7	8.5	130.0	21.7	13.1	14.8	1.08	6.5
Total			295.28	44.90	26.9	32.9	-	-	421.0	15.2	11.4	12.3	0.73	6.9
US		(USD)	-	(USD bn)	-	(USD)	(USD)	(USD)	(USD bn)	(%)	(x)	(x)	(x)	(x)
Paccar	PCAR:US	41.48	-	14.79	-	11.7	3.4	3.2	19.3	13.2	12.1	13.1	0.90	9.0
Navistar Inter.	NAV:US	23.52	-	1.61	-	-37.9	0.8	-4.9	6.0	7.6	30.9	NM	0.12	5.7
US				16.41	-	3.6	-	-	25.3	10.6	12.9	13.1	0.54	7.9
Global				143.58	-	20.3	-	-	-	-	-	-	-	-

Prices: 09.21.2012. (1) All classes of shares. MAN SE – ordinary and preferred shares; Volvo and Scania classes A&B. (2) Actual - for Daimler - FY11, for the rest trailing twelve months. (3) Estimates – FY12E. (4) Actual – FY11. (5) For Daimler - EBITDA, revenue & EV industrial operations, see also page.3. Source: Company data, Bloomberg and CGI estimates

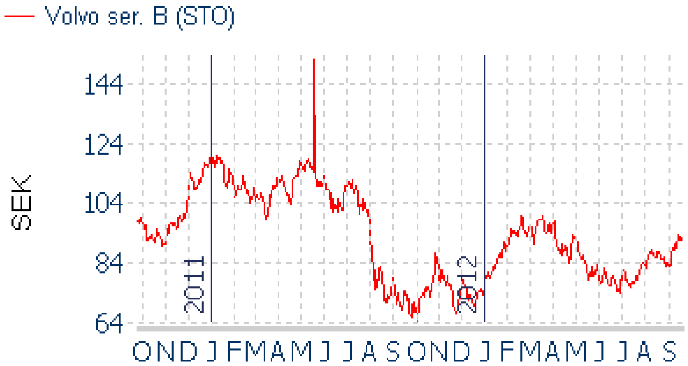
MAN SE – share price (-2 years)



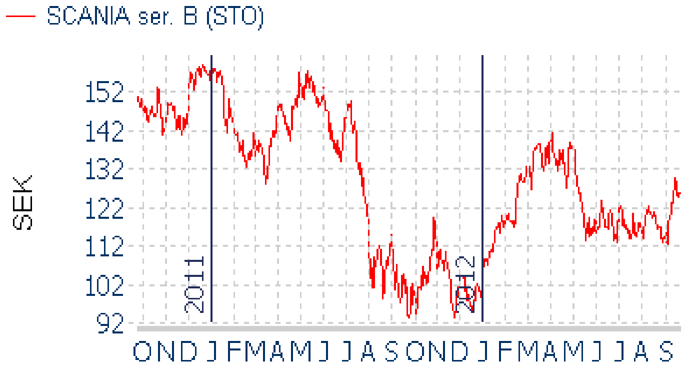
Fiat Industrial – share price (since demerger)



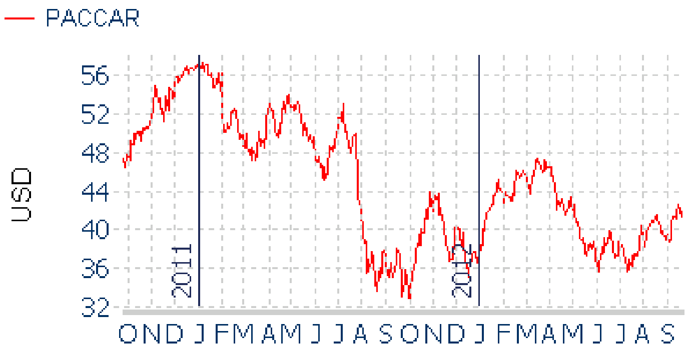
AB Volvo – share price (- 2 years)



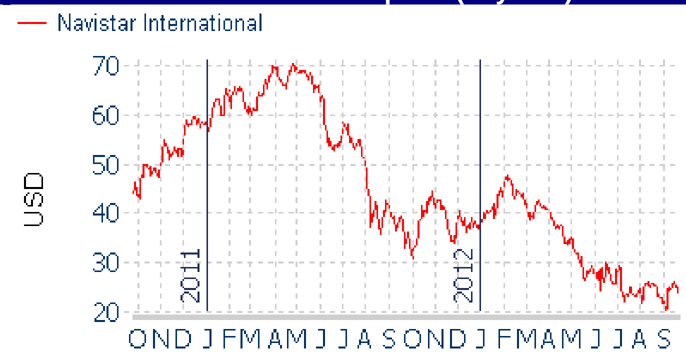
Scania – share price (-2 years)



Paccar – share price (-2 years)



Navistar International – share price (-2 years)



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