

# Pole Position

## UBS European & US Autos Daily

### Equities

Europe including UK  
Automobiles

### BYD sets pricing for Seal in Germany – how does it square with our expectations?

In our [BYD Seal Teardown Q-Series report](#) last week, we wrote that the theoretical starting price in Germany could be as low as \$35k (€32k for the entry version) assuming margin parity vs. China and significant sales volume in Europe. At the Munich auto show this week, BYD announced pricing for Seal: €44.9k for the “Design” version and €51.0k for the “Excellence” version. Both variants feature the long-range battery (83kWh, up to 570km WLTP range), and the “Excellence” model has AWD with 3.7sec acceleration 0-100km/h. First deliveries in Europe are expected for H2/23. BYD Europe's CEO said also on stage that there should be news flow before the end of this year about potential vehicle assembly in Europe.

#### Our view:

How does the announced price square with our analysis in [the Q-Series](#)? Our maths were based on the entry-level version, which costs ~€23k in China, with a significantly smaller battery (61kWh) and a lower trim. The versions that are equivalent to the ones sold in Europe cost ~€30-35k in China, ie, there is a ~€15k price difference between China and Germany on a like-for-like basis. Applying the logic of our teardown analysis, the theoretical price difference should be €10k (includes 10% import tariff, 7% difference between German and Chinese VAT, higher distributor fees, higher overseas shipment cost) rather than €15k. We see two reasons behind this gap: (1) As seen with other BYD (and Chinese competitor models), Chinese EV makers still put their toes in the water, rather than pushing aggressively for high volumes in Europe. This makes sense because thanks to strong domestic sales growth for BYD, the availability of cars for Europe is limited for now; (2) there are fixed costs related to the EU market entry, such as homologation of product in the EU and additional financial incentives to win new dealers. As volumes grow, these additional costs will become much less relevant. We never expected BYD to launch the Seal in Germany at the theoretical “at-scale” margin parity price from the very beginning. But we think as BYD scales up in Europe, they could lower the prices by another ~€5k and still would achieve the same margins as in China. We also highlighted that assembly in Europe at scale would only add €1-3k cost vs. imports from China while creating local jobs and hereby reducing potential political headwinds. We also note that €45k is already an attractive price tag today. For comparison, the Tesla Model 3 with a shorter range sells at €43k in Germany, and the VW ID.7, a similar-sized sedan, starts at €57k in Germany.

#### Earnings/Share price impact:

Negative for sentiment on EU legacy OEMs.

**Patrick Hummel, CFA**

Analyst  
patrick.hummel@ubs.com  
+41-44-239 52 54

**David Lesne**

Analyst  
david.lesne@ubs.com  
+33-14-888 3034

**Juan Perez-Carrascosa**

Analyst  
juan-perez.carrascosa@ubs.com  
+34-91-436 9025

**Wan Zhang, CFA**

Analyst  
wan.zhang@ubs.com  
+41-44-239 3875

## August car sales in largest 5 European markets +26% y/y

**Germany:** According to German authority KBA, last month's new car sales were up +37% y/y (with c273k units). By brand, VW maintains the lead with a 17% market share (+21% y/y), followed by Mercedes (8%, +26% y/y), Audi (8%, +22% y/y) and BMW (8%, +32% y/y). The EV market share amounted to 37%, +78% y/y; PHEVs had a 5% share (-40% y/y) and BEVs reached a 32% share (+170% y/y). Domestic order intake finished August at -5% y/y and -25% YTD.

**UK:** According to SMMT, last month's new car sales in the UK increased by +24% y/y to c86k units. EV sales reached a 28% market share, of which BEVs account for 20% (+72% y/y) with PHEVs achieving 8% (+70% y/y).

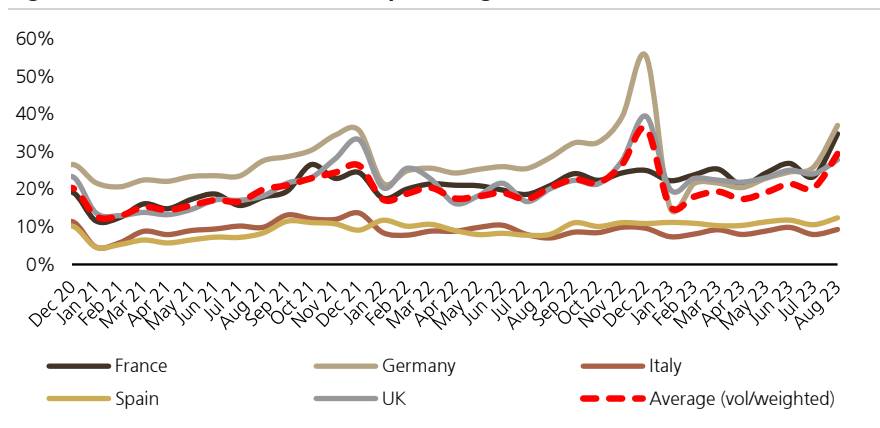
**European largest 5 markets total:** For the Top-5 markets (UK, Germany, France, Spain, Italy), car sales in August grew by +26% y/y. EV sales reached a 29% market share (+80% y/y), of which BEVs account for 22% (+126% y/y) and PHEVs achieved 8% share (+16% y/y).

**Our view:** The largest 5 European markets in total present strong double-digit y/y growth in August; however, this is mainly due to the easing base (Q3 was the weakest quarter last year), rather than a sequential increase. Also, August is the weakest month of the year due to summer holidays and therefore not that representative of the underlying trends. We expect double-digit monthly growth rates towards the end of the year as production rates are improving with better chip supply coming through. For the full year, we expect the largest 5 European markets to finish at +11% y/y. Order intake in Germany remains negative, similar to France, and is still posing a risk of overproduction in the largest European market.

There is a visible pull-in effect of BEV sales in August Germany sales, as c86k units sold is ~double the usual seen this year – the effect is due to removal of fleet BEV incentives, which ended in August.

**Earnings/share price impact:** Neutral.

**Figure 1: EV market shares in European largest 5 markets**



Source: Nacional Car Associations

## Auto1 European Used Car Price Index: slightly down in August

The AUTO1 European Used Car Price Index shows a -0.5% m/m decrease in wholesale used car prices in August, moving to 147.4 from 148.2 in July, and -13.7% YoY (from 170.8). Despite this correction during the last year, used car prices are still +25.5% vs pre-COVID pandemic in August 2019. Year-to-date prices remain broadly stable with a slight decrease by 1.3% from January to August.

**Our view:** This data reiterates the resilience we have reported in our own [European used car price tracker](#), where price tags have held up surprisingly well, with BEV's negative trend accelerating. We expect new car supply to grow further in the coming quarters, and emerging pricing pressure on new cars is likely to impact used pricing more negatively in the course of 2H23. Lastly, we held [an expert call with Auto1 Group](#) in mid-May and the CFO mentioned that he didn't rule out further drops as new car supply picks up, mixed with new lease vehicles backlog being delivered, hence off lease supply is likely to build up.

**Earnings/share price impact:** Neutral.

## VW lowers ID.4 price in China

VW has reduced the price of ID.4 in China. The ID.4 Cross version offered via VW FAW JV is now available from Rmb 146k (ca. €18.5k). The initial launch price of ID.4 in China was Rmb 194k (€24.6k) in 2021. The current price reduction is limited for 3k units for the time being. So far, the price reduction only applies to ID.4 Crozz, not to the ID.4 X, offered via the VW SAIC JV.

**Our view:** This is yet another warning sign for legacy OEMs competing in China on the EV front. On the back of rising domestic Chinese EV players, VW has lost market share to competition. BYD has overtaken VW in sales in China this year. Domestic competition and inevitable price cuts mean a more challenging operating environment for legacy OEMs. Chinese OEMs are further challenging the legacy OEMs on their home turf here in Europe. We published a [Q-Series: BYD Teardown – Will Chinese EVs win globally?](#) last Friday to further analyse the competitive landscape in auto industry on the back of these industry developments. We analysed potential addressable markets for the Chinese OEMs and we forecast that Chinese OEMs global market share can reach 33% by 2030 from today's share of 17%, whereas for legacy OEMs, we expect their global market share to decline from today's 81% to 58% by 2030. The largest market share gain for Chinese OEMs is likely to happen in Europe as we see current regulations towards Chinese players to be more benign compared to the US. In our teardown analysis, we have shown that the BYD Seal has a cost advantage of 15-25% over Tesla and legacy OEMs.

**Earnings/share price impact:** Negative for VW.

## Global Autos research

### Global Tire Makers: "July: volume growth weak but not worsening "

[See our full report here](#)

#### Another month with PC replacement in positive growth due to China/NA; channel mix negative

Michelin has released July market data (August should follow in a couple of weeks), which shows global Passenger Car (PC) replacement (RT) demand in positive growth for the third month in a row with +1% yoy thanks to China +10% and NA +2% while Europe dropped by -3%. Michelin continues to indicate "high inventories in Europe" and also mentioned "weak winter tire sales". We estimate overall PC is flat ytd, at the high end of Michelin's forecast for the full year of -3/0%. The base will get easier from Sep onwards. OE +4% vs RT +1% in July (compared to OE +7% and RT -1% for FY22) should continue to impair channel mix. In Trucks, global replacement demand (excl. China) decreased by -4% in July (-6% ytd). Overall, we estimate Truck tire (excl. China) growth is flat ytd, compared to Michelin's market forecasts of -4/-1% for FY23.

#### Segment view: more resilient pricing with inflation melting

Short term: We think there is still upside risk to FY23 guidance/consensus driven by more resilient pricing and more muted inflationary pressures: -65% for gas, -30% for tire input costs and -80% for sea freight. As the dealer destocking process is close to the end, volume growth should turn less negative and could even turn slightly positive towards YE/start of 2024. Finally, we believe the downtrading risk is more limited than feared by some investors. Mid-to-long term: Premium tire makers are well positioned to capture the profitable growth from EV-dedicated tires. For more details, please refer to our two recent sector notes: Global Tire Makers "In the mind of tire buyers - measuring the relevance of price, downtrading risk and EV shift" and Demystifying Tire Pricing "No sign of pricing pressure"

#### Stock implications: Michelin is our only Buy-rated stock in European tires

Michelin (Buy, €36): only Buy-rated tire maker due to upside risk to FY23 guidance/consensus and most depressed valuation (c8x PE for FCF yield of >10%). Pirelli (Neutral, €5): Well positioned to benefit from more resilient pricing but higher valuation. Conti (Neutral, €67): Downside risk in Autos NT and LT with capped financial returns but fair valuation. Prefer pure players. Nokian (Neutral, €10): Valuation premium gone but financial returns deteriorating MT as the company builds new capacity.

## Australian Auto Monthly Monitor: "Aug'23 New Vehicle sales +15% Y/Y "

[See our full report here](#)

### Record Aug as supply improves; BYD continues to slow; VIC EV sales decline

Record deliveries in Aug'23, with new vehicle sales 110k, +15% y/y, +28% vs Aug'19 and +11% on last 6mth avg. (Feb'23-Jul'23). Net new vehicle order bank was ~180 days as at Jun'23 (source: APE), with supply ahead of demand over Jun-Aug'23; and based on the Aug'23 delivery rate, we estimate the order bank now at ~155 days. Aug'23 data is supportive for near-term earnings across our coverage; APE Top-10 OEM vol tracking +11% h/h vs 2H23a run-rate (2H23e h/h consensus rev +4%), GUD's APG index tracking +17% h/h (1H24e h/h APG consensus rev +6%). EV demand remains strong, but 2 trends notable: 1) Victoria EV sales have slow noting \$3k EV subsidy ended in Jun'23, EV sales -62% in Aug vs Jun peak in VIC vs -17% across rest of Aus; and 2) BYD continues to slow delivering 803 units down ~45% from the May/June level (inventory available so likely representative of demand). This represents <1% of what we estimate to be current total new vehicle demand in Aus. Prefer ASG (Buy; \$3.20 PT) in dealers on 7x P/E with likely further FY24e consensus upgrades; and GUD (Buy; \$13.10 PT) in aftermarket with continued earnings recovery in APG (14x P/E).

### Prestige strongest y/y, Volume weakest – UBSe ASG's LFL vol +13% y/y

Prestige strongest y/y +25% y/y, +29% vs Aug'19, Luxury +18% y/y, 60% vs Aug'19 adjusting out Tesla Luxury up +26% y/y, +23% vs Aug'19; Volume weakest +13% y/y, +24% vs Aug'19. Brand highlights (Fig. 13): 1) Nissan strongest in Volume +154% y/y, Mitsubishi weakest -22% y/y; 2) Prestige led by Skoda +71% y/y weakest was Jeep -45% y/y; 3) In Luxury Lexus +253% y/y and Land Rover +217% strongest y/y. UBSe ASG Aug'23 LFL vols +13% y/y, Jul-Aug'23 -1% h/h vs 2H23 (consensus -7% h/h).

### WA strongest, QLD weakest – UBSe APE's Top-10 OEM indicator +10% y/y

Western Australia strongest (+32% y/y, +56% vs Aug'19), Victoria (+16% y/y, +19% vs Aug'19), New South Wales (+14% y/y, +24% vs Aug'19), Queensland (+8% y/y, +37% vs Aug'19). APE's index of top-10 OEMs in Aug'23 +10% y/y, while Jul-Aug'23 combined tracking +11% h/h vs 1H23a run-rate.

### GUD top-20 +19% y/y; 1H24TD +17% h/h vs 2H23a

Light Commercial +7% y/y, +37% vs Aug'19; SUV +28% y/y, +60% vs Jun'19. Significant improvement in GUD volume (for APG) driven by key models such as Ranger (record for current model) and Hilux, implying positive model mix. Top-20 +19% y/y, Ranger +28%. Jul-Aug'23 run-rate in our model-weighted index currently +17% vs 2H23 run-rate, but wary of extrapolating across entire half (APG h/h consensus revenue +6%).

## Nidec: "Profitability improvement at ACIM not sufficiently factored in "

[See our full report here](#)

### New drivers starting to emerge underpinned by EVs

Reflecting the strength of the Appliance, Commercial and Industrial Motors (ACIM) division, we are lifting our FY3/24 OP forecast by 11%. The share price advanced immediately after the Q1 (April-June) results, but that has been erased by adjustments over the past month or so. In our discussions with investors, we have noticed a cautious stance on the sustainability of the boost from restructuring through end-FY3/23 and on the competitive climate for the E-Axle in the Chinese market. Meanwhile, in ACIM, in addition to cost rationalisation, the earnings contributions from fresh demand are accelerating, including from EV charging stations and battery energy storage systems. In the E-Axle business, we expect the contribution from second-generation products to drive earnings improvement from Q2. If E-Axle volumes increase from H2, this could spur an advance in the share price.

### We are raising our earnings forecasts

We are lifting our OP projection from ¥209.5bn to ¥232.5bn for FY3/24 and from ¥253.4bn to ¥266.5bn for FY3/25. We see the positives in ACIM surpassing negatives for precision small motors due to the sluggish HDD market and for mechanical equipment due to weakness in machine tool market conditions. Our projection of ¥59.9bn for Q2 (July-September) is 9% higher than the consensus estimate. We believe the consensus view is cautious about the sustainability of Q1's profit levels given that improvement in profit in Q1 was so sharp.

### Focusing on expansion of E-Axle line-up, 6-in-1 moves

Factors for the company's E-Axle shipment volumes falling short of initial assumptions include the sales situation at customers, issues with the ramp-up of Gen2 products, and delays in the roll-out of a 70kw model. An increase in the Gen2 weighting from 25% in Q1 to 70% in Q2 and to around 90% in Q3 should support profitability, while shipments of a 70kw model are to start from Q2. The company is to roll out 6-in-1 (Gen3) products in June 2024 and the weighting for in-house Gen3 production should rise from 2025. There thus seem to be plenty of catalysts for improvement in market share and profitability.

### Valuation: Rating Buy, price target ¥11,300

Our price target is based on a FY3/25E PER of 32X.

## Sector view

There is an acceleration of production as supply chain bottlenecks have largely disappeared, and the industry is showing little discipline to reduce output in order to keep pricing power high. This will likely become visible in a negative sequential price/mix trend, resulting in higher OEM revenues but lower margins. Supplier earnings won't get a big boost from the industry volume uplift either because of higher costs, delayed OEM price renegotiations and a structural shift of market share towards Tesla and Chinese OEMs, which are under-represented in their customer mix. This makes us more concerned about the coming quarters when OEM order banks get depleted and lacklustre new orders (especially for EVs) continue.

**OEMs:** We expect lower margins in the coming quarters for all OEMs as oversupply becomes more visible. We continue to prefer luxury > premium > mass OEMs on our expectation of intensifying price competition in the coming quarters.

**Suppliers:** The margin expansion by op. leverage on volume growth will be more muted than anticipated implying (too) high reliance on pricing for profitability.

**Tires:** Our tire pricing monitor shows continued strength in Q2 (+1% q/q, +6% y/y), while input costs are on a decline path, resulting in upside risk to 2023 company guidance.

## Top & bottom picks in autos

**Top picks:** Stellantis, Mercedes, Porsche AG, Michelin, Valeo, Vitesco

**Bottom picks:** Ford, Plastic Omnium, Volvo Car

**Figure 2: Global Autos & suppliers regional sector valuation**

Sub-sectors	P/E			EV/Sales			EV/EBITDA			Dividend yield		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
<b>OEMs</b>												
Europe	5.5x	6.7x	7.2x	0.2x	0.2x	0.2x	1.7x	1.8x	1.8x	6.2%	5.4%	5.1%
North America	7.1x	13.9x	11.0x	0.4x	0.4x	0.4x	3.0x	3.5x	3.0x	2.1%	2.9%	4.1%
Japan	8.6x	6.9x	7.7x	0.3x	0.4x	0.3x	2.4x	3.0x	2.6x	3.0%	3.2%	4.3%
China	14.6x	13.4x	13.6x	1.5x	0.9x	0.8x	6.9x	5.5x	6.3x	0.8%	1.1%	1.5%
Other Asia	4.0x	5.1x	5.0x	0.6x	0.7x	0.7x	5.2x	5.9x	5.8x	6.0%	4.9%	4.9%
<b>Suppliers</b>												
Europe	12.8x	7.6x	6.8x	0.4x	0.4x	0.4x	4.4x	3.6x	3.5x	3.0%	4.6%	4.6%
China	24.8x	18.7x	15.2x	2.0x	1.6x	1.4x	11.9x	9.7x	8.1x	0.9%	1.2%	1.6%
Other Asia and Australia	17.4x	13.4x	11.7x	0.8x	0.9x	0.8x	6.5x	5.9x	5.1x	2.5%	2.1%	2.2%
<b>Global OEMs</b>	<b>7.3x</b>	<b>10.4x</b>	<b>9.4x</b>	<b>0.6x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>3.9x</b>	<b>4.0x</b>	<b>3.8x</b>	<b>3.4%</b>	<b>3.6%</b>	<b>4.3%</b>
<b>Global suppliers</b>	<b>18.7x</b>	<b>13.7x</b>	<b>11.5x</b>	<b>1.0x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>7.6x</b>	<b>6.4x</b>	<b>5.6x</b>	<b>1.9%</b>	<b>2.3%</b>	<b>2.4%</b>

Source: UBS estimates

Note: Calculation based on median values of stocks covered by UBS

Figure 3: Relative Valuation

	Price (LC)	Market cap (LCm)	PT (LC)	Rating	P/E			Ind. EV/Sales			Ind. EV/EBITDA			Ind. EV/EBIT			Dividend yield			Ind. FCF yield		
					2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Premium OEM																						
BMW	97.2	68,506	115	N	5.5x	6.7x	7.2x	0.42x	0.43x	0.42x	1.9x	2.1x	2.2x	2.9x	3.5x	3.8x	6.2%	5.1%	5.1%	10.9%	9.4%	9.3%
Mercedes-Benz	67.5	72,254	85	B	5.5x	6.0x	5.7x	0.28x	0.28x	0.28x	1.4x	1.5x	1.5x	2.2x	2.5x	2.4x	7.4%	7.4%	7.4%	13.8%	15.5%	15.8%
Tesla	258.1	805,984	270	N	91.9x	55.7x	37.5x	7.95x	5.42x	4.11x	51.2x	32.0x	21.3x	73.0x	42.2x	27.1x	0.0%	0.0%	0.0%	0.8%	1.4%	2.4%
Porsche AG	101.9	92,785	122	B	19.0x	18.0x	17.1x	2.46x	2.29x	2.18x	8.7x	8.2x	7.8x	13.8x	13.5x	13.2x	3.0%	3.1%	3.1%	6.2%	6.4%	7.4%
Volvo Car	41.7	124,306	40	S	17.7x	16.2x	10.4x	0.21x	0.19x	0.17x	4.3x	3.5x	2.4x	12.0x	89.8x	46.2x	0.0%	0.0%	1.1%	-11.2%	-9.1%	-0.7%
Mean					27.9x	20.5x	15.6x	2.26x	1.72x	1.43x	13.5x	9.5x	7.0x	20.8x	30.3x	18.5x	3.3%	3.1%	3.4%	4.1%	4.7%	6.9%
Median					17.7x	16.2x	10.4x	0.42x	0.43x	0.42x	4.3x	3.5x	2.4x	12.0x	13.5x	13.2x	3.0%	3.1%	3.1%	6.2%	6.4%	7.4%
Mass market OEM																						
Ford	12.1	48,690	11	S	7.1x	13.9x	11.0x	0.21x	0.22x	0.21x	1.9x	2.6x	2.3x	2.9x	5.3x	4.4x	3.3%	4.1%	4.1%	11.7%	2.4%	6.1%
General Motors	33.5	46,780	41	N	4.9x	6.8x	5.2x	0.41x	0.41x	0.39x	3.0x	3.5x	3.0x	4.8x	6.4x	5.2x	2.1%	2.9%	4.8%	31.1%	9.9%	22.8%
Renault	37.3	10,165	31	S	3.3x	3.6x	3.3x	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.9%	6.4%	6.4%	30.3%	27.5%	32.5%
Stellantis N.V.	17.2	54,129	19	B	3.8x	5.2x	4.6x	0.12x	0.12x	0.12x	0.8x	1.0x	0.9x	1.2x	1.6x	1.4x	8.5%	6.3%	7.1%	15.7%	7.4%	12.1%
Volkswagen	113.0	56,647	100	S	4.6x	7.7x	9.7x	0.09x	0.09x	0.09x	0.5x	0.5x	0.5x	1.5x	2.0x	2.0x	8.0%	5.4%	4.3%	27.8%	50.2%	25.4%
Mean					4.7x	7.5x	6.7x	0.21x	0.21x	0.20x	1.6x	1.9x	1.7x	2.6x	3.8x	3.3x	5.5%	5.0%	5.4%	23.3%	19.5%	19.8%
Median					4.6x	6.8x	5.2x	0.16x	0.17x	0.17x	1.4x	1.8x	1.6x	2.2x	3.6x	3.2x	5.9%	5.4%	4.8%	27.8%	9.9%	22.8%
Tire suppliers																						
Continental	68.6	13,725	67	N	9.3x	7.9x	6.8x	0.46x	0.45x	0.42x	4.5x	4.1x	3.8x	8.1x	7.3x	6.4x	3.0%	3.5%	4.2%	4.6%	7.7%	10.6%
Michelin	28.9	20,656	36	B	8.9x	8.3x	7.7x	0.84x	0.82x	0.79x	4.4x	4.2x	4.0x	6.7x	6.4x	6.0x	5.4%	5.8%	6.3%	10.6%	7.0%	10.6%
Nokian	8.0	1,103	10	N	25.6x	17.3x	11.1x	0.71x	0.62x	0.54x	4.0x	3.1x	2.5x	9.8x	7.6x	5.6x	2.5%	2.9%	4.5%	9.9%	-3.7%	9.3%
Pirelli	4.6	4,607	5	N	12.2x	10.1x	8.3x	1.16x	1.11x	1.07x	5.5x	5.3x	5.0x	7.8x	7.3x	6.9x	4.1%	5.0%	6.0%	5.9%	3.9%	5.0%
Mean					14.0x	10.9x	8.5x	0.79x	0.75x	0.71x	4.6x	4.2x	3.8x	8.1x	7.1x	6.2x	3.7%	4.3%	5.2%	7.8%	3.7%	8.9%
Median					10.8x	9.2x	8.0x	0.77x	0.72x	0.67x	4.4x	4.2x	3.9x	8.0x	7.3x	6.2x	3.5%	4.3%	5.3%	7.9%	5.5%	10.0%
Auto parts suppliers																						
Aptiv PLC	101.5	25,374	157	B	21.4x	15.6x	12.2x	1.48x	1.28x	1.13x	10.2x	8.4x	7.1x	13.9x	11.1x	9.2x	0.5%	0.6%	0.8%	4.6%	4.2%	5.6%
Autoliv	97.9	8,628	86	N	14.1x	10.3x	9.4x	0.96x	0.81x	0.77x	7.2x	5.6x	5.2x	11.0x	8.1x	7.4x	2.8%	3.9%	4.3%	3.4%	5.9%	9.7%
Faurecia	19.6	3,871	23	N	17.7x	7.2x	5.0x	0.39x	0.38x	0.37x	5.3x	5.0x	4.5x	11.9x	8.6x	7.5x	1.5%	3.8%	5.4%	12.9%	16.1%	18.6%
Gestamp	4.1	2,375	4.6	B	7.9x	6.3x	5.7x	0.39x	0.38x	0.38x	3.5x	3.3x	3.2x	8.0x	6.9x	6.7x	3.8%	4.8%	5.2%	9.8%	12.9%	15.7%
Schaeffler	5.5	3,653	6	N	6.3x	5.5x	4.8x	0.41x	0.40x	0.39x	3.4x	3.1x	2.9x	6.8x	5.9x	5.3x	4.7%	5.5%	6.2%	8.6%	9.6%	16.7%
Valeo	18.0	4,291	25	B	22.2x	8.1x	5.7x	0.35x	0.34x	0.31x	4.9x	3.8x	3.3x	15.6x	8.5x	6.6x	3.3%	5.7%	6.6%	6.9%	9.1%	15.5%
Plastic Omnium	16.2	2,410	14	S	10.4x	7.2x	7.0x	0.36x	0.37x	0.35x	3.9x	3.4x	3.5x	9.9x	7.2x	7.0x	3.3%	4.6%	4.8%	9.3%	10.7%	10.0%
Vitesco	71.3	2,850	86	B	12.8x	6.8x	5.9x	0.32x	0.30x	0.28x	3.7x	2.9x	2.6x	9.3x	5.6x	4.8x	1.6%	3.0%	3.4%	1.7%	9.3%	12.8%
Mean					13.1x	7.3x	6.2x	0.45x	0.43x	0.41x	4.6x	3.9x	3.6x	10.4x	7.3x	6.5x	3.0%	4.4%	5.1%	7.5%	10.5%	14.1%
Median					12.8x	7.2x	5.7x	0.39x	0.38x	0.37x	3.9x	3.4x	3.3x	9.9x	7.2x	6.7x	3.3%	4.6%	5.2%	8.6%	9.6%	15.5%
Sector																						
Mean					15.1x	11.4x	9.1x	0.95x	0.80x	0.70x	6.4x	5.1x	4.3x	11.1x	12.3x	8.8x	3.7%	4.1%	4.6%	10.2%	9.7%	12.4%
Median					9.9x	7.8x	7.1x	0.41x	0.40x	0.39x	4.0x	3.5x	3.2x	8.1x	7.2x	6.4x	3.1%	4.0%	4.6%	9.5%	8.4%	10.6%

Source: UBS estimates



Figure 4: Sector estimates (local currency million / per share)

Local currency million / per share	No of Shares	Sales (total)			EBITDA (underlying)			EBIT (underlying)			Net income (reported)			EPS (underlying)			DPS			Net cash/(debt)		
		2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Premium OEM																						
BMW	655	143,855	143,468	146,370	24,818	22,221	21,818	16,090	13,379	12,513	10,894	8,768	8,124	17.76	14.53	13.51	6.00	5.00	5.00	14,117	16,839	20,124
Mercedes-Benz	1070	152,021	152,167	155,069	26,910	25,468	26,450	18,411	16,773	17,512	14,123	12,912	13,447	12.35	11.34	11.85	5.00	5.00	5.00	30,478	34,521	38,753
Tesla	3099	98,931	145,136	191,629	15,379	24,609	36,952	10,779	18,654	29,055	9,744	16,088	23,895	2.81	4.64	6.88	-	-	-	26,999	40,090	61,359
Porsche AG	911	40,775	43,775	45,881	11,556	12,172	12,794	6,495	6,809	7,151	5,493	5,678	5,818	5.35	5.67	5.97	3.01	3.12	3.19	11,234	12,504	14,361
Volvo Car	2980	394,751	437,773	470,445	19,209	23,710	34,504	6,849	8,758	17,032	13,187	12,269	21,385	2.35	2.57	4.03	-	-	1.08	20,046	8,745	7,861
Mass market OEM																						
Ford	3991	161,802	152,575	155,923	16,556	12,247	13,827	10,652	5,938	7,168	7,452	3,533	4,494	1.72	0.87	1.11	0.40	0.50	0.50	917	-521	36
General Motors	1451	155,811	153,572	161,972	24,132	21,925	25,181	12,244	9,040	11,292	10,150	7,310	9,565	6.85	4.90	6.45	0.69	0.99	1.62	-2,506	-2,460	-2,600
Renault	272	53,962	55,006	56,070	4,817	4,275	4,330	2,616	2,051	2,044	3,318	3,092	3,120	11.18	10.34	11.38	2.19	2.37	2.38	2,392	3,480	4,769
Stellantis	3120	184,954	181,984	188,774	27,984	22,531	24,650	19,047	13,927	15,921	15,352	11,380	12,788	4.49	3.28	3.76	1.47	1.09	1.22	23,948	23,221	26,141
Volkswagen	501	304,642	302,257	310,903	52,108	49,154	48,971	18,763	13,423	12,373	15,631	10,122	8,033	24.45	14.67	11.69	9.02	6.11	4.86	33,391	35,502	35,190
Tire suppliers																						
Continental	200	42,803	44,480	46,772	4,442	4,793	5,235	2,451	2,737	3,109	1,352	1,622	1,907	7.35	8.70	10.12	2.03	2.43	2.86	-3,251	-2,622	-1,670
Michelin	714	28,057	28,896	29,766	5,391	5,634	5,885	3,503	3,707	3,949	2,227	2,392	2,585	3.24	3.47	3.74	1.56	1.68	1.81	-3,026	-2,685	-1,682
Nokian	138	1,308	1,488	1,704	234	299	375	95	121	166	43	64	100	0.31	0.46	0.72	0.20	0.23	0.36	-296	-413	-383
Pirelli	1000	6,649	6,910	7,166	1,389	1,459	1,527	981	1,052	1,111	360	440	538	0.38	0.46	0.56	0.19	0.23	0.28	-2,280	-2,098	-1,866
Auto parts suppliers																						
Autoliv	88	10,434	12,292	12,914	1,383	1,782	1,937	913	1,229	1,356	598	818	901	6.94	9.49	10.46	2.77	3.80	4.18	-1,296	-1,215	-892
Faurecia	151	30,573	30,944	32,389	2,257	2,387	2,616	994	1,372	1,581	313	587	838	1.11	2.74	3.96	0.30	0.74	1.06	-6,704	-6,272	-5,765
Gestamp	576	12,378	12,609	12,913	1,372	1,460	1,495	604	703	720	302	377	414	0.53	0.66	0.72	0.16	0.20	0.22	-2,014	-1,873	-1,688
Schaeffler	666	16,958	17,395	18,018	2,055	2,235	2,417	1,024	1,179	1,321	581	669	762	0.87	1.00	1.14	0.26	0.30	0.34	-2,417	-2,564	-2,481
Valeo	238	22,998	24,160	26,169	1,652	2,151	2,488	521	959	1,238	409	702	821	0.81	2.22	3.16	0.59	1.02	1.19	-3,804	-3,564	-3,162
Plastic Omnium	149	10,361	10,257	10,622	1,024	1,156	1,144	434	580	595	227	322	335	1.56	2.25	2.31	0.53	0.75	0.78	-1,561	-1,430	-1,349
Vitesco	40	9,508	9,977	10,642	808	1,057	1,168	325	537	627	222	421	481	5.55	10.52	12.02	1.11	2.10	2.40	-	-	-

Source: UBS estimates

Figure 5: Profitability and ratios

	ROIC			ROE			Net Debt / EBITDA			Capex / Sales			R&D / Sales			Capitalized R&D % of total		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
<b>Premium OEM</b>																		
BMW	10.3%	8.6%	7.8%	13.3%	10.7%	9.3%	-0.6x	-0.8x	-0.9x	6.0%	5.5%	5.5%	5.2%	5.0%	4.9%	35.0%	34.0%	33.0%
Mercedes-Benz	14.2%	12.3%	12.7%	17.2%	14.5%	14.0%	-1.1x	-1.4x	-1.5x	3.4%	3.4%	3.4%	6.1%	6.2%	6.2%	36.6%	36.1%	36.1%
Tesla	17.8%	28.1%	40.0%	19.3%	24.8%	27.6%	1.8x	1.6x	1.7x	8.5%	7.0%	6.0%	3.5%	3.5%	3.5%			
Porsche AG	16.5%	16.0%	15.7%	28.5%	24.6%	22.4%	1.0x	1.0x	1.1x	5.4%	5.3%	4.7%	6.7%	6.8%	7.1%	70.0%	65.0%	60.0%
Volvo Car	5.8%	6.2%	10.7%	7.5%	6.7%	11.6%	1.0x	0.4x	0.2x	7.2%	7.0%	5.8%	6.5%	6.3%	5.5%	75.0%	60.0%	60.0%
<b>Mean</b>	<b>12.9%</b>	<b>14.2%</b>	<b>17.4%</b>	<b>17.2%</b>	<b>16.3%</b>	<b>17.0%</b>	<b>0.0x</b>	<b>-0.2x</b>	<b>-0.2x</b>	<b>6.1%</b>	<b>5.6%</b>	<b>5.1%</b>	<b>5.6%</b>	<b>5.6%</b>	<b>5.4%</b>	<b>54.2%</b>	<b>48.8%</b>	<b>47.3%</b>
<b>Weighted average</b>	<b>16.3%</b>	<b>23.9%</b>	<b>33.1%</b>	<b>18.9%</b>	<b>22.4%</b>	<b>24.6%</b>	<b>1.4x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>7.8%</b>	<b>6.6%</b>	<b>5.8%</b>	<b>4.2%</b>	<b>4.2%</b>	<b>4.1%</b>	<b>35.7%</b>	<b>34.9%</b>	<b>34.3%</b>
<b>Mass market OEM</b>																		
Ford	0.0%	0.0%	0.0%	9.2%	5.4%	6.0%	0.1x	0.0x	0.0x	-5.2%	-5.6%	-5.5%						
General Motors	14.1%	10.4%	13.2%	19.4%	12.9%	14.2%	-0.1x	-0.1x	-0.1x	-8.0%	-7.5%	-6.7%						
Renault	18.3%	13.7%	13.1%	7.7%	6.9%	6.7%	0.5x	0.8x	1.1x	5.6%	5.1%	4.7%	4.9%	4.9%	4.9%	50.0%	50.0%	50.0%
Stellantis	11.0%	11.6%	12.1%	11.0%	11.6%	12.1%	0.9x	1.0x	1.1x	5.0%	5.0%	4.5%	4.0%	4.0%	4.0%	52.0%	52.0%	52.0%
Volkswagen	6.4%	4.4%	3.8%	10.2%	6.5%	5.0%	0.6x	0.7x	0.7x	5.4%	5.4%	5.4%	6.8%	7.1%	7.0%	50.0%	48.0%	46.0%
<b>Mean</b>	<b>10.0%</b>	<b>8.0%</b>	<b>8.5%</b>	<b>11.5%</b>	<b>8.7%</b>	<b>8.8%</b>	<b>0.4x</b>	<b>0.5x</b>	<b>0.6x</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>5.2%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>50.7%</b>	<b>50.0%</b>	<b>49.3%</b>
<b>Weighted average</b>	<b>8.8%</b>	<b>7.0%</b>	<b>8.2%</b>	<b>14.1%</b>	<b>9.8%</b>	<b>10.4%</b>	<b>0.2x</b>	<b>0.2x</b>	<b>0.3x</b>	<b>-2.9%</b>	<b>-2.7%</b>	<b>-2.4%</b>	<b>5.5%</b>	<b>5.7%</b>	<b>5.6%</b>	<b>51.0%</b>	<b>49.9%</b>	<b>48.8%</b>
<b>Tire suppliers</b>																		
Continental	13.1%	14.1%	15.5%	9.5%	10.6%	11.5%	0.7x	0.5x	0.3x	6.0%	6.0%	6.0%	7.7%	7.5%	7.3%	1.1%	1.1%	1.0%
Michelin	18.3%	19.1%	19.9%	12.2%	12.3%	12.5%	0.6x	0.5x	0.3x	7.8%	6.9%	6.7%	2.4%	2.4%	2.4%			
Nokian	7.9%	9.3%	11.6%	3.0%	4.3%	6.5%	1.3x	1.4x	1.0x	26.8%	23.5%	14.7%						
Pirelli	13.2%	14.0%	14.3%	6.1%	6.8%	7.7%	1.6x	1.4x	1.2x	6.0%	7.0%	7.0%						
<b>Mean</b>	<b>13.1%</b>	<b>14.1%</b>	<b>15.3%</b>	<b>7.7%</b>	<b>8.5%</b>	<b>9.5%</b>	<b>1.1x</b>	<b>1.0x</b>	<b>0.7x</b>	<b>11.7%</b>	<b>10.9%</b>	<b>8.6%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>4.9%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>1.0%</b>
<b>Weighted average</b>	<b>15.4%</b>	<b>16.3%</b>	<b>17.2%</b>	<b>10.1%</b>	<b>10.7%</b>	<b>11.3%</b>	<b>0.8x</b>	<b>0.7x</b>	<b>0.4x</b>	<b>7.2%</b>	<b>6.9%</b>	<b>6.6%</b>	<b>4.8%</b>	<b>4.8%</b>	<b>4.7%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>1.0%</b>
<b>Auto parts suppliers</b>																		
Autoliv	19.9%	24.5%	25.6%	21.2%	24.8%	23.2%	0.9x	0.7x	0.5x	6.0%	6.0%	6.0%	5.5%	5.5%	5.0%	0.0%	0.0%	0.0%
Faurecia	30.4%	51.9%	59.3%	6.4%	10.9%	13.8%	3.0x	2.6x	2.2x	4.2%	3.5%	3.5%	8.0%	8.0%	8.0%	52.0%	50.0%	50.0%
Gestamp	9.8%	10.9%	10.8%				1.5x	1.3x	1.1x	6.3%	5.8%	6.1%						
Schaeffler	8.4%	9.5%	10.5%	13.4%	13.9%	14.3%	1.2x	1.1x	1.0x	5.0%	5.5%	5.5%	5.4%	5.4%	5.4%			
Valeo	7.5%	13.5%	16.5%	4.7%	11.2%	14.1%	2.3x	1.7x	1.3x	5.6%	5.5%	5.5%	10.0%	9.5%	9.0%	35.0%	35.0%	35.0%
Plastic Omnium	11.4%	15.0%	14.9%	11.3%	14.3%	13.2%	1.5x	1.2x	1.2x	3.2%	3.2%	3.2%	3.1%	3.1%	3.1%	50.1%	50.1%	50.1%
Vitesco	7.5%	11.6%	13.0%	6.8%	11.5%	11.9%	-142.4x	21.8x	0.0x	5.7%	6.2%	6.3%	11.8%	11.4%	11.5%			
<b>Mean</b>	<b>13.6%</b>	<b>19.5%</b>	<b>21.5%</b>	<b>10.6%</b>	<b>14.4%</b>	<b>15.1%</b>	<b>-18.9x</b>	<b>4.3x</b>	<b>1.0x</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>7.3%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>34.3%</b>	<b>33.8%</b>	<b>33.8%</b>
<b>Weighted average</b>	<b>16.3%</b>	<b>24.3%</b>	<b>27.1%</b>	<b>9.9%</b>	<b>13.5%</b>	<b>14.3%</b>	<b>-7.1x</b>	<b>2.8x</b>	<b>1.2x</b>	<b>5.1%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>6.5%</b>	<b>6.4%</b>	<b>6.2%</b>	<b>22.4%</b>	<b>21.9%</b>	<b>21.9%</b>
<b>Sector</b>																		
<b>Mean</b>	<b>13.1%</b>	<b>15.1%</b>	<b>16.4%</b>	<b>11.0%</b>	<b>11.4%</b>	<b>11.9%</b>	<b>0.9x</b>	<b>0.7x</b>	<b>0.6x</b>	<b>5.2%</b>	<b>4.9%</b>	<b>4.4%</b>	<b>5.8%</b>	<b>5.7%</b>	<b>5.6%</b>	<b>32.5%</b>	<b>32.0%</b>	<b>31.9%</b>
<b>Weighted average</b>	<b>12.5%</b>	<b>12.7%</b>	<b>13.9%</b>	<b>13.5%</b>	<b>11.6%</b>	<b>11.9%</b>	<b>0.2x</b>	<b>0.0x</b>	<b>-0.1x</b>	<b>1.4%</b>	<b>1.3%</b>	<b>1.4%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>14.8%</b>	<b>14.5%</b>	<b>14.3%</b>

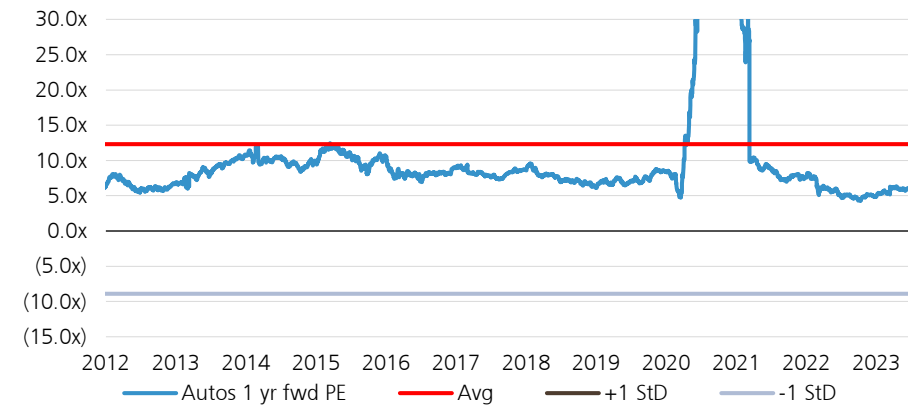
Source: UBS estimates

Figure 6: Sector growth

Year end	Sales			EBIT			EPS			DPS			EBITDA		
	2022-23E	2023-24E	2024-25E	2022-23E	2023-24E	2024-25E	2022-23E	2023-24E	2024-25E	2022-23E	2023-24E	2024-25E	2022-23E	2023-24E	2024-25E
<b>Premium OEM</b>															
BMW	0.9%	-0.3%	2.0%	20.6%	-16.9%	-6.5%	-33.3%	-18.2%	-7.1%	-29.4%	-16.7%	0.0%	11.1%	-10.5%	-1.8%
Mercedes-Benz	1.3%	0.1%	1.9%	-6.9%	-8.9%	4.4%	-6.0%	-8.1%	4.5%	-3.8%	0.0%	0.0%	-1.0%	-5.4%	3.9%
Tesla	21.4%	46.7%	32.0%	-21.1%	73.1%	55.8%	-22.4%	65.1%	48.5%				-11.6%	60.0%	50.2%
Porsche AG	8.4%	7.4%	4.8%	15.9%	4.8%	5.0%	17.9%	6.0%	5.3%	198.5%	3.4%	2.5%	31.4%	5.3%	5.1%
Volvo Car	19.6%	10.9%	7.5%	-6.0%	27.9%	94.5%	140.8%	9.4%	56.5%				2.3%	23.4%	45.5%
<b>Median</b>	<b>8.4%</b>	<b>7.4%</b>	<b>4.8%</b>	<b>-6.0%</b>	<b>4.8%</b>	<b>5.0%</b>	<b>-6.0%</b>	<b>6.0%</b>	<b>5.3%</b>	<b>-3.8%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.3%</b>	<b>5.3%</b>	<b>5.1%</b>
<b>Weighted average</b>	<b>18.4%</b>	<b>36.5%</b>	<b>25.2%</b>	<b>-14.0%</b>	<b>56.2%</b>	<b>49.4%</b>	<b>-5.8%</b>	<b>48.9%</b>	<b>41.0%</b>	<b>17.4%</b>	<b>-0.4%</b>	<b>0.2%</b>	<b>-5.1%</b>	<b>46.6%</b>	<b>41.6%</b>
<b>Mass market OEM</b>															
Ford	2.4%	-5.7%	2.2%	9.9%	-44.3%	20.7%	-8.5%	-49.4%	27.2%	-27.3%	25.0%	0.0%	-8.3%	-26.0%	12.9%
General Motors	-0.6%	-1.4%	5.5%	-0.4%	-26.2%	24.9%	11.8%	-28.5%	31.7%	155.3%	43.0%	64.6%	-6.3%	-9.1%	14.8%
Renault	16.3%	1.9%	1.9%	106.4%	-21.6%	-0.3%	64.6%	-7.5%	10.1%	775.8%	8.3%	0.4%	28.8%	-11.2%	1.3%
Stellantis	3.7%	-1.6%	3.7%	-12.3%	-26.9%	14.3%	-22.2%	-26.8%	14.6%	8.6%	-25.9%	12.4%	-7.1%	-19.5%	9.4%
Volkswagen	9.1%	-0.8%	2.9%	6.9%	-28.5%	-7.8%	4.3%	-40.0%	-20.3%	3.0%	-32.3%	-20.5%	8.1%	-5.7%	-0.4%
<b>Median</b>	<b>2.4%</b>	<b>-1.4%</b>	<b>2.2%</b>	<b>6.9%</b>	<b>-26.9%</b>	<b>14.3%</b>	<b>11.8%</b>	<b>-28.5%</b>	<b>27.2%</b>	<b>8.6%</b>	<b>8.3%</b>	<b>0.4%</b>	<b>-6.3%</b>	<b>-11.2%</b>	<b>9.4%</b>
<b>Weighted average</b>	<b>2.4%</b>	<b>-2.4%</b>	<b>4.0%</b>	<b>0.1%</b>	<b>-30.9%</b>	<b>16.4%</b>	<b>-0.5%</b>	<b>-35.5%</b>	<b>18.4%</b>	<b>53.3%</b>	<b>13.9%</b>	<b>26.0%</b>	<b>-4.6%</b>	<b>-14.1%</b>	<b>10.8%</b>
<b>Tire suppliers</b>															
Continental	8.6%	3.9%	5.2%	23.8%	11.7%	13.6%	19.1%	18.4%	16.4%	35.2%	20.0%	17.5%	9.0%	7.9%	9.2%
Michelin	-1.9%	3.0%	3.0%	3.1%	5.8%	6.5%	-2.1%	7.1%	7.8%	7.9%	36.9%	10.2%	2.4%	4.5%	4.4%
Nokian	-26.4%	13.7%	14.6%	n/a	28.0%	37.1%	-28.9%	48.6%	55.3%	-42.9%	15.9%	55.3%	-37.7%	27.5%	25.5%
Pirelli	0.5%	3.9%	3.7%	0.4%	7.2%	5.6%	-11.8%	21.0%	21.5%	-13.2%	21.0%	21.5%	1.2%	5.0%	4.7%
<b>Median</b>	<b>-4.8%</b>	<b>6.1%</b>	<b>6.6%</b>	<b>9.1%</b>	<b>13.2%</b>	<b>15.7%</b>	<b>-5.9%</b>	<b>23.8%</b>	<b>25.2%</b>	<b>-3.2%</b>	<b>23.4%</b>	<b>26.1%</b>	<b>-6.3%</b>	<b>11.2%</b>	<b>10.9%</b>
<b>Weighted average</b>	<b>2.0%</b>	<b>3.7%</b>	<b>4.1%</b>	<b>10.5%</b>	<b>8.7%</b>	<b>9.6%</b>	<b>4.1%</b>	<b>14.2%</b>	<b>13.9%</b>	<b>14.3%</b>	<b>27.7%</b>	<b>15.4%</b>	<b>4.0%</b>	<b>6.3%</b>	<b>6.7%</b>
<b>Auto parts suppliers</b>															
Autoliv	18.0%	17.8%	5.1%	52.7%	34.6%	10.3%	59.0%	36.9%	10.2%	7.9%	36.9%	10.2%	43.9%	28.9%	8.7%
Faurecia	6.0%	1.2%	4.7%	163.0%	38.1%	15.2%	n/a	147.6%	44.3%	-	148.2%	42.7%	41.6%	5.8%	9.6%
Gestamp	15.4%	1.9%	2.4%	11.9%	16.4%	2.4%	16.3%	24.7%	9.9%	17.8%	24.7%	9.9%	13.4%	6.4%	2.4%
Schaeffler	7.3%	2.6%	3.6%	-2.1%	15.1%	12.1%	-4.2%	15.1%	13.9%	4.2%	15.1%	13.9%	1.0%	8.8%	8.1%
Valeo	14.8%	5.0%	8.3%	-5.0%	84.2%	29.0%	16.9%	173.9%	42.0%	56.3%	71.7%	17.0%	1.8%	30.2%	15.7%
Plastic Omnium	21.4%	-1.0%	3.6%	10.1%	33.7%	2.6%	19.7%	44.9%	2.6%	35.4%	42.0%		16.5%	12.9%	-1.1%
Vitesco	4.8%	4.9%	6.7%	45.7%	65.3%	16.8%	n/a	89.6%	14.2%				3.2%	30.9%	10.5%
<b>Median</b>	<b>14.8%</b>	<b>2.6%</b>	<b>4.7%</b>	<b>11.9%</b>	<b>34.6%</b>	<b>12.1%</b>	<b>16.9%</b>	<b>44.9%</b>	<b>13.9%</b>	<b>17.8%</b>	<b>39.4%</b>	<b>12.0%</b>	<b>13.4%</b>	<b>12.9%</b>	<b>8.7%</b>
<b>Weighted average</b>	<b>12.2%</b>	<b>5.6%</b>	<b>5.0%</b>	<b>54.3%</b>	<b>41.0%</b>	<b>13.9%</b>	<b>17.5%</b>	<b>86.3%</b>	<b>24.0%</b>	<b>16.1%</b>	<b>63.6%</b>	<b>18.6%</b>	<b>22.4%</b>	<b>17.2%</b>	<b>8.7%</b>
<b>Sector</b>															
<b>Median</b>	<b>5.4%</b>	<b>1.9%</b>	<b>3.6%</b>	<b>9.9%</b>	<b>9.5%</b>	<b>11.2%</b>	<b>1.1%</b>	<b>16.7%</b>	<b>14.1%</b>	<b>7.9%</b>	<b>21.0%</b>	<b>10.2%</b>	<b>2.8%</b>	<b>5.4%</b>	<b>8.4%</b>
<b>Weighted average</b>	<b>3.5%</b>	<b>0.4%</b>	<b>3.6%</b>	<b>12.4%</b>	<b>-9.0%</b>	<b>10.2%</b>	<b>-2.5%</b>	<b>-3.2%</b>	<b>13.2%</b>	<b>22.6%</b>	<b>17.6%</b>	<b>16.4%</b>	<b>3.7%</b>	<b>-4.5%</b>	<b>7.2%</b>

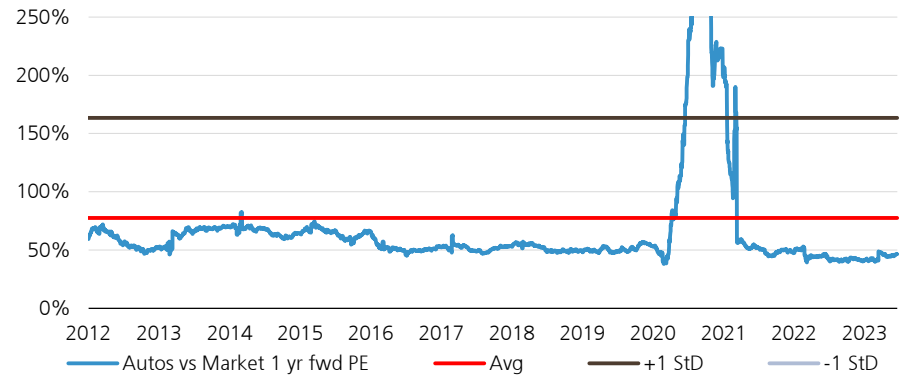
Source: UBS estimates

Figure 7: Autos 1 yr Forward PE



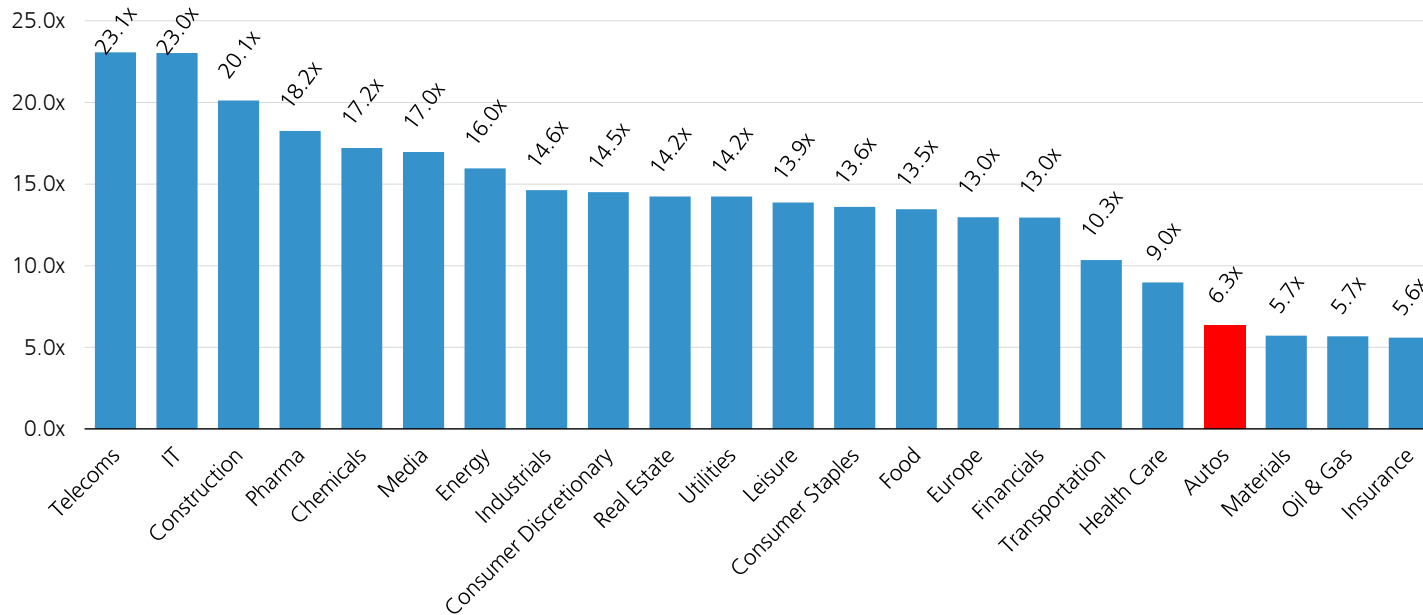
Source: Bloomberg, UBS estimates

Figure 8: Auto versus Market 1 yr Forward PE



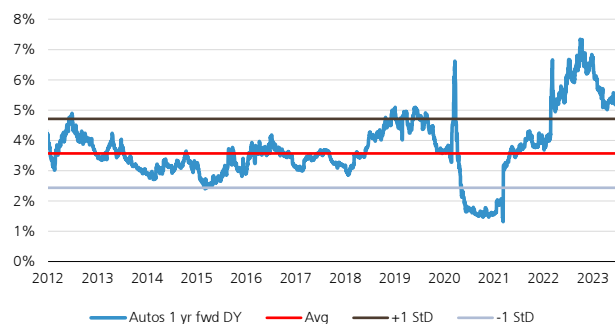
Source: Bloomberg, UBS estimates

Figure 9: Forward PE Sector Comparison



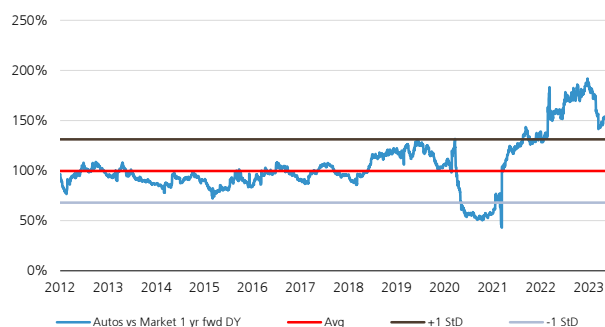
Source: Bloomberg, UBS estimates

Figure 10: Autos 1 yr Forward DY



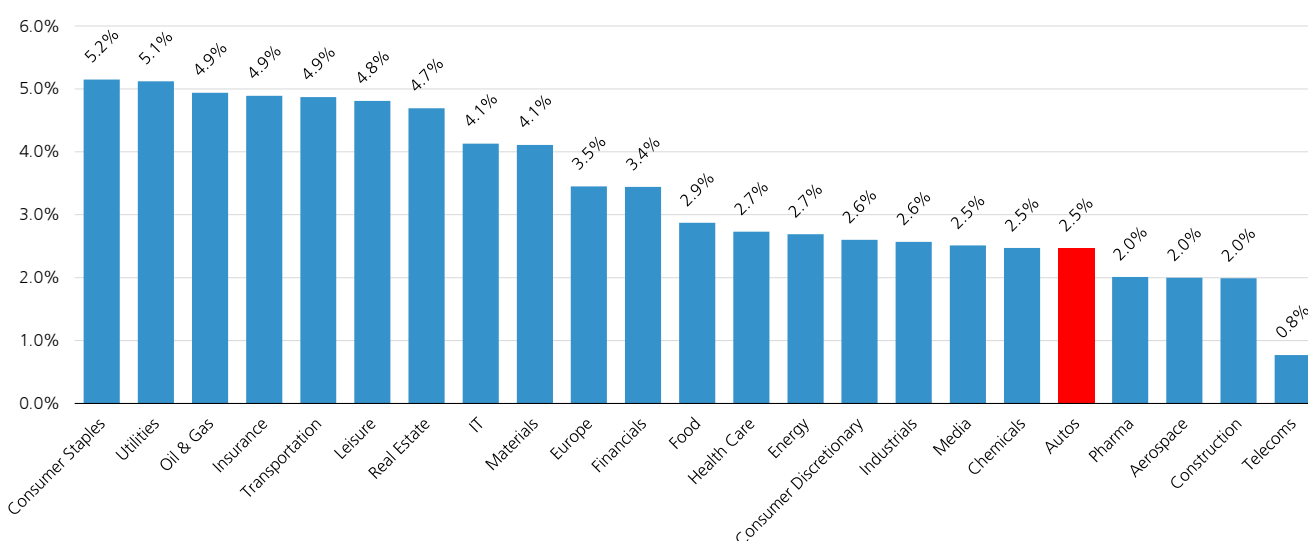
Source: Bloomberg, UBS estimates

Figure 11: Autos versus Market 1 yr Forward DY



Source: Bloomberg, UBS estimates

Figure 12: 1 yr Forward DY Sector Comparison



Source: Bloomberg, UBS estimates

Figure 13: Earnings calendar 2023

Reported period	Q1 2023	Q2 2023	H1 2023	Q3 2023
BMW	4-May	3-Aug		3-Nov
Ferrari	4-May	2-Aug		2-Nov
Ford	2-May	27-Jul		
General Motors	25-Apr	25-Jul		
Mercedes-Benz	28-Apr	27-Jul		26-Oct
Porsche AG	3-May		26-Jul	25-Oct
Renault	20-Apr		27-Jul	
Stellantis	3-May		26-Jul	31-Oct
Tesla	19-Apr	19-Jul		
Volvo Car	27-Apr	20-Jul		26-Oct
Volkswagen	4-May		27-Jul	26-Oct
Aptiv	4-May	3-Aug		
Autoliv	21-Apr	21-Jul		
Continental	10-May		9-Aug	8-Nov
Faurecia	17-Apr		27-Jul	20-Oct
Gestamp		25-Jul		
Plastic Omnium	25-Apr	24-Jul		
Schaeffler	9-May		2-Aug	8-Nov
Valeo	25-Apr		27-Jul	
Vitesco	12-May		10-Aug	14-Nov
Michelin	26-Apr		26-Jul	24-Oct
Nokian	25-Apr		21-Jul	31-Oct
Pirelli	11-May	3-Aug		9-Nov

Source: Investor Relations

### **Valuation Method and Risk Statement**

The automobile sector has in the past exhibited high levels of volatility in terms of profitability and valuation. Sector earnings and performance are highly sensitive to variations in volume, pricing, raw material costs and currency, all of which have been volatile recently. Long term structural trends continue to improve as a result of higher demand in EM, early signs of sector concentration improving and structurally lower currency exposure but near term cyclical drivers have become more challenging after several years of strong earnings and share price performance. We are also concerned that in a macro recovery rising interest rates would become a material headwind for the industry.

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<b>Buy</b>	FSR is > 6% above the MRA.	54%	41%
<b>Neutral</b>	FSR is between -6% and 6% of the MRA.	37%	43%
<b>Sell</b>	FSR is > 6% below the MRA.	9%	36%
Short-Term Rating	Definition	Coverage <sup>3</sup>	IB Services <sup>4</sup>
<b>Buy</b>	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
<b>Sell</b>	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2023.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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**UBS AG:** Patrick Hummel, CFA. **UBS AG London Branch:** Wan Zhang, CFA. **UBS Europe SE:** David Lesne, Juan Perez-Carrascosa.

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Company Name	Reuters	12-month rating	Price	Price date
<b>AUTO1 GROUP SE</b> <sup>20a</sup>	AG1G.DE	Buy (CBE)	€7.58	05 Sep 2023
<b>Autosports Group</b>	ASG.AX	Buy	A\$2.56	06 Sep 2023
<b>BYD Company Limited</b> <sup>18,16a</sup>	1211.HK	Buy	HK\$247.60	05 Sep 2023
<b>Continental</b> <sup>7</sup>	CONG.DE	Neutral	€68.68	05 Sep 2023
<b>Dr. Ing. h.c. F. Porsche AG</b> <sup>5</sup>	P911_p.DE	Buy	€100.85	05 Sep 2023
<b>Eagers Automotive</b>	APE.AX	Neutral	A\$15.48	06 Sep 2023
<b>Ford Motor Co.</b> <sup>2,20a,4,5,7,6a,6b,16b</sup>	F.N	Sell (CBE)	US\$12.09	05 Sep 2023
<b>GUD Holdings</b>	GUD.AX	Buy	A\$12.14	06 Sep 2023
<b>Mercedes-Benz Group AG</b> <sup>28,7,6a</sup>	MBGn.DE	Buy	€66.91	05 Sep 2023
<b>Michelin</b> <sup>7</sup>	MICP.PA	Buy	€29.78	05 Sep 2023
<b>Nidec</b>	6594.T	Buy	¥7,739	06 Sep 2023
<b>Nokian</b> <sup>20a</sup>	TYRES.HE	Neutral (CBE)	€7.92	05 Sep 2023
<b>Pirelli</b> <sup>5</sup>	PIRC.MI	Neutral	€4.73	05 Sep 2023
<b>Plastic Omnium</b>	PLOF.PA	Sell	€16.35	05 Sep 2023
<b>Stellantis N.V.</b> <sup>2,4,5,28,7,16b</sup>	STLAM.MI	Buy	€16.91	05 Sep 2023
<b>Tesla, Inc.</b> <sup>4,20b,5,7,16b</sup>	TSLA.O	Neutral (CBE)	US\$256.49	05 Sep 2023
<b>Valeo</b> <sup>28</sup>	VLOF.PA	Buy	€17.75	05 Sep 2023
<b>Vitesco Technologies</b>	VTSCn.F	Buy	€75.70	05 Sep 2023
<b>Volkswagen</b> <sup>2,4,5</sup>	VOWG_p.DE	Sell	€108.48	05 Sep 2023
<b>Volvo Car AB</b>	VOLCARb.ST	Sell	SKr39.69	05 Sep 2023

Source: UBS Global Research; Refinitiv. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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