

Equities

18 March 2011 | 24 pages

Autos Valuation Weekly

Japan Earthquake Aftermath: Auto Supply Chain Concerns Grow

■ Industry Overview

■ **GM Shreveport Production suspension raises concerns** — On Thursday, GM announced the suspension of production at its Shreveport, Louisiana plant due to a Japan-related parts shortage. The plant accounts for ~1.7% of GMNA production; GM opted not to disclose the nature of the parts shortage. Citi's US analysts have commented that the timing of the shut-down was surprising after GM's competitors earlier in the week alluded to a 30-50 days' stock cushion at their N America facilities. However, they also point out that there may be specific reasons why the Shreveport plant is unique, with it tracing its history to GM's past ties with Isuzu. Other possible causes of the shut-down may include the existence of a smaller parts reserve (the plant is scheduled to end production in 2012). Nevertheless, this early disruption has focused attention on the risk of global disruption, which had initially seemed unlikely for 6-8 weeks.

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■ **There are no easy answers** — Attempting to determine whether the supply chain will be disrupted for European Autos with limited production facilities in Japan and for how long is extremely difficult, we believe. The complexity of vehicles means they incorporate 1000s of components, with OEMs working with multiple suppliers including a range of specialised operators. And though OEMs will have relatively clear sight of their primary suppliers, these suppliers will in turn be reliant on Tier 2 and 3 providers where there may be no direct commercial relationship with OEMs. So OEMs are not always going to have, at this stage, full insight into the origin of components supplied to their own suppliers and therefore there are production risks.

■ **Production disruption unlikely to be covered by spare capacity** — Even the loss of a low-value part within the supply chain can prevent a vehicle from being completed. And we believe that if production capacity is impaired, this can't simply be replaced in alternative locations. Indeed, there were already shortages of key electronics components before this crisis and where there is spare capacity, it could be impacted by problems within the Tier 2 & 3 supply chains.

■ **Limited visibility** — European Autos generally suggest no near-term supply disruptions in Europe, which reflects ready component inventory on hand and in transit, though it is notable that Opel has warned of production closures in Spain for next week. There seems very limited visibility about whether there might be more than sporadic disruption in Q1. But the risk for European supply disruption in Q2 and beyond should Japanese auto production & the supply chain not recover quickly is certainly growing. Determining the cost impact of stoppages is difficult, but this could run into the €100mns with potentially also higher freight costs (air rather than seaborne) and temporarily elevated components costs later in the year. Japanese OEM imports and transplants represent 13% of the European market, so potential for any temporary European OEM market share gains from disrupted output of Japanese vehicles seem relatively limited at this stage.

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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European Autos Recommendation Summary

Figure 1. European Automakers & Suppliers Recommendation Summary, 2011E

RIC	Company	Ccy	Current Price	Target Price	ETR	Code Recommendation	Ordinary Shares (m)	Market Cap. (m)	EV 2010E (m)	WACC 2010E	Reported EPS			
											2009	2010F	2011F	2012F
European Automakers														
BMWG.DE	BMW	EUR	54.75	70	30.4%	1M Buy/ Medium Risk	653.8	35,797	19,014	8.00%	0.31	4.80	6.70	7.40
DAIGn.DE	Daimler	EUR	45.51	65	46.9%	1M Buy/ Medium Risk	1,005.0	45,738	27,670	8.50%	(2.62)	4.45	5.46	6.59
FIA.MI	Fiat	EUR	6.04	8	39.1%	1H Buy/ High Risk	1,236.9	7,471	7,541	9.00%	(0.22)	0.02	0.40	0.90
PEUP.PA	Peugeot	EUR	26.84	33	24.8%	2M Hold/ Medium Risk	226.9	6,089	9,097	8.50%	(5.11)	5.00	5.51	7.71
PSHG_p.DE	Porsche	EUR	53.36	51	-4.2%	3S Sell/ Speculative Risk	175.0	9,338	3,702	8.00%	(14.42)	(2.16)	8.12	10.96
RENA.PA	Renault	EUR	38.14	60	58.6%	1M Buy/ Medium Risk	277.1	10,565.5	(1,238)	8.00%	(12.14)	5.27	7.64	9.65
VOWG.DE	Volkswagen (Ord.)	EUR	104.00	125	22.3%	2H Hold/ High Risk	282.5	29,380	32,592	7.80%	2.38	11.54	12.31	13.91
VOWG_p.DE	Volkswagen (Pref.)	EUR	109.40	125	17.9%	2M Hold/ Medium Risk	105.2	11,509	32,592	7.80%	2.38	11.54	12.31	13.91
SCVb.ST	Scania B	SKR	135.00	150	15.4%	2H Hold/ High Risk	800.0	108,000	114,053	8.00%	1.41	11.75	12.77	13.86
VOLVb.ST	Volvo B	SKR	103.90	80	-21.5%	3H Sell/ High Risk	2,027.0	210,605	258,417	8.00%	(7.26)	4.73	6.12	7.64
European Suppliers														
CONG.DE	Continental	EUR	59.18	83	40.3%	1M Buy/ Medium Risk	169.0	10,001	21,725	8.60%	(2.49)	1.16	6.80	9.25
GKN.L	GKN	GBP	1.94	2.20	16.2%	2M Hold/ Medium Risk	1,271.7	2,462	3,339	8.00%	(2.8)	19.64	19.2	22.0
MICP.PA	Michelin	EUR	57.56	72	28.2%	1M Buy/ Medium Risk	151.3	8,708	13,858	8.75%	0.67	6.47	6.90	8.02
TOTAL / AVERAGE		EUR			25.9%			210,052	208,675					

Source: Powered by dataCentral. Prices as at 18 March 2011.

dataCentral is CIRA's proprietary database which includes CIRA estimates, data from company reports, and feeds from Reuters, Datastream, Firstcall, IBES and Toyo Keizai.

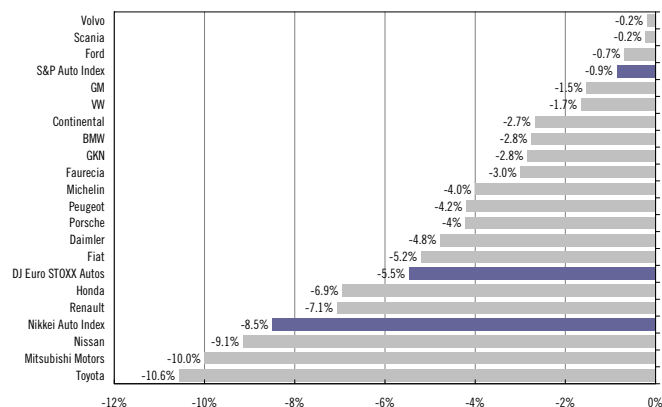
*EV of VOWG.DE and VOWVG_p.DE is value of VW group and includes Volvo and Scania at market value (€s)

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Autos Valuations

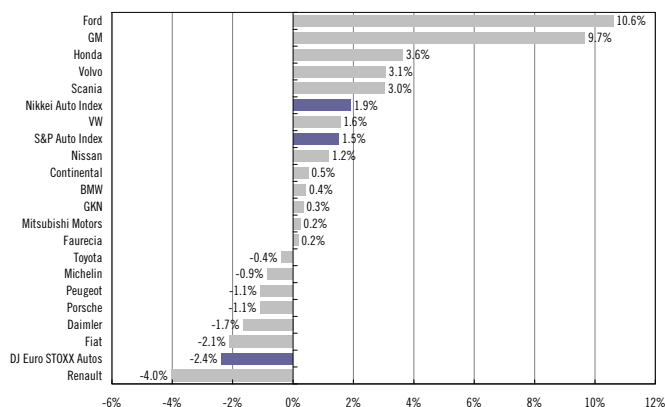
Global Recent Performance

Figure 2. Absolute Price Performance Past Week



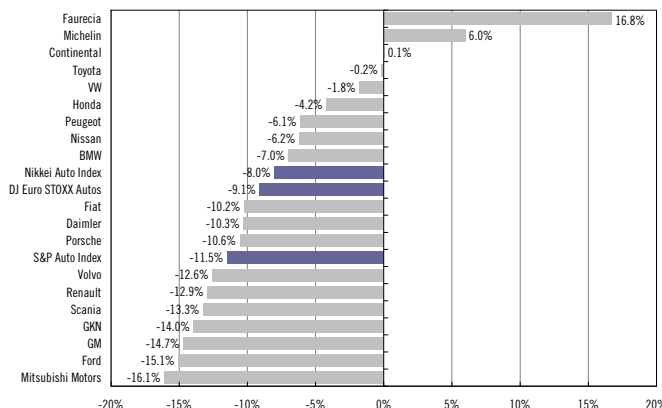
Source: DataStream

Figure 3. Performance Relative to Local Market Past Week



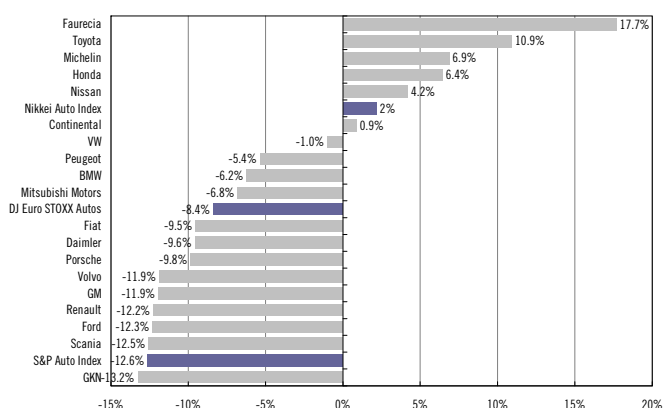
Source: DataStream

Figure 4. Absolute Share Price Performance – YTD



Source: DataStream

Figure 5. Performance Relative to Local Market – YTD



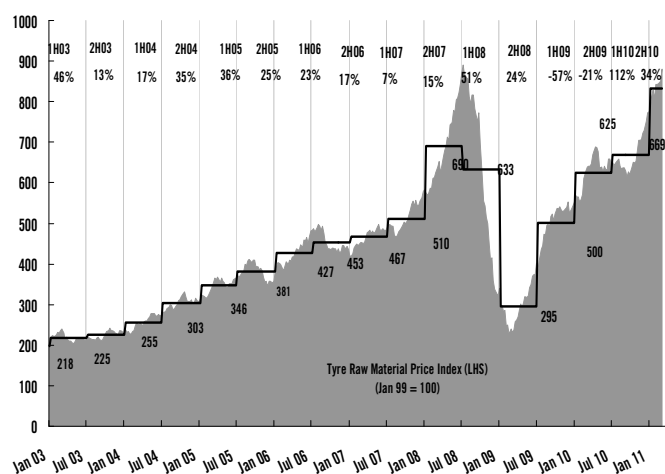
Source: DataStream

Figure 6. Market Data

% change	-1wk	-1m	YTD	-12m
DJ Euro STOXX Autos	-5.5%	-12.5%	-9.1%	33.7%
DJ EURO STOXX	-3.2%	-8.3%	-0.8%	-0.9%
US Autos	-0.9%	-8.8%	-11.5%	8.3%
S&P 500	-2.3%	-5.2%	1.3%	9.3%
Japan Autos	-8.5%	-16.4%	-8.0%	-5.2%
Nikkei	-10.2%	-15.1%	-10.0%	-14.3%
Commodity	Current	-1 wk	YTD	-12m
Oil (\$/bbl)	111	-2.5%	20.0%	38.7%
Steel \$/MT	600	-53.2%	-23.1%	-9.6%
Steel Scrap \$/MT	820	0.0%	0.0%	0.0%
Natural Rubber €100KG	314	-6.8%	-17.7%	34.9%
Copper US\$/MT	9565	4.1%	-0.4%	27.8%
Aluminium US\$/MT	2523	-0.9%	2.1%	10.9%
Zinc US\$/MT	2334	2.6%	-4.9%	0.0%

Source: Powered by dataCentral

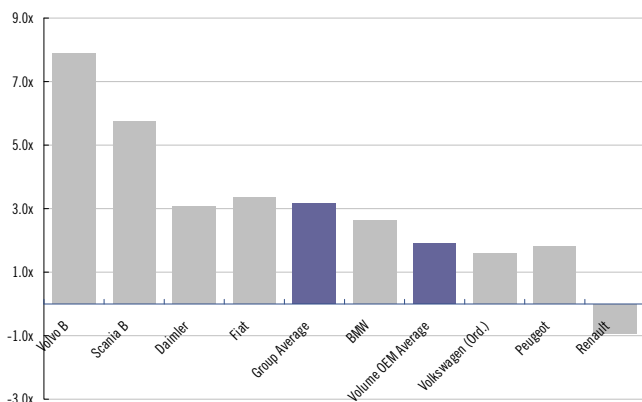
Figure 7. Tyre Raw Material Price Index, Jan 03 to date



Source: DataStream and Citi Investment Research and Analysis

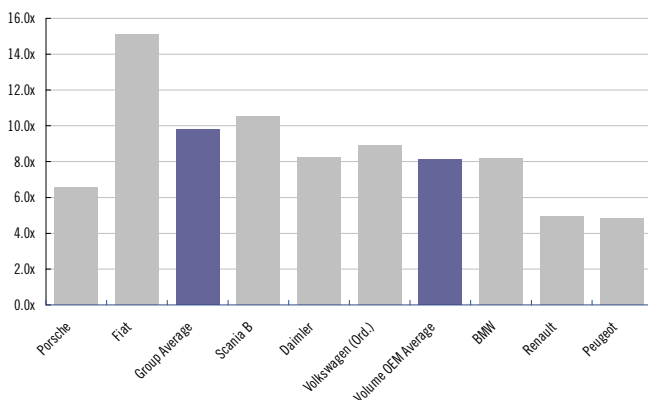
European Relative Valuation

Figure 8. Automakers EV/EBITDA, 2011E



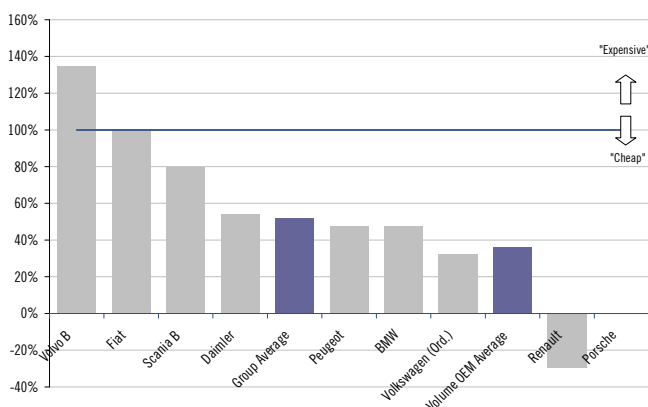
Source: Citi Investment Research and Analysis

Figure 10. Automakers P/E, 2011E



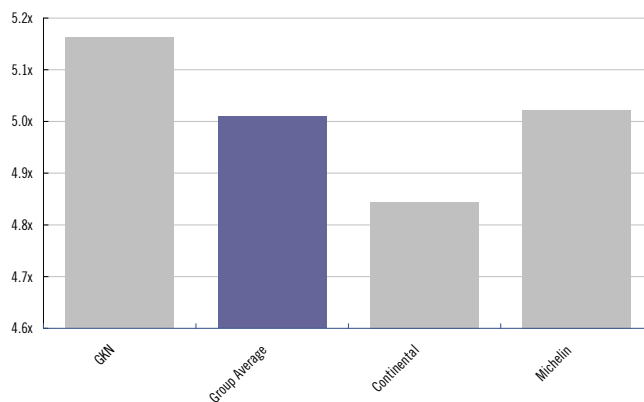
Source: Citi Investment Research and Analysis

Figure 12. Automakers (EV/CE)/(ROCE/WACC), 2011E



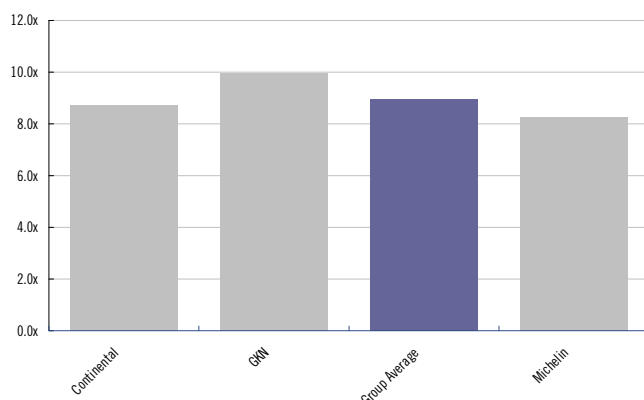
Source: Citi Investment Research and Analysis

Figure 9. Auto Suppliers EV/EBITDA, 2011E



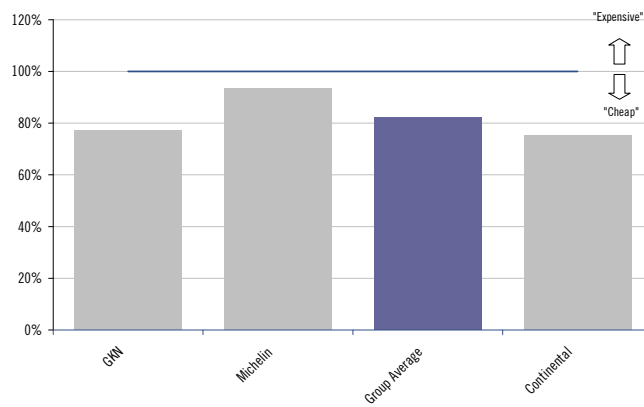
Source: Citi Investment Research and Analysis

Figure 11. Auto Suppliers P/E, 2011E



Source: Citi Investment Research and Analysis

Figure 13. Auto Suppliers (EV/CE)/(ROCE/WACC), 2011E



Source: Citi Investment Research and Analysis

European Valuation Data and Ratios

Figure 14. European Automaker and Supplier Valuation Data and Ratios, 2009A – 12E

	Enterprise Value				Sales				Adjusted EBITDA				Adjusted EBIT			
	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E
European Automakers																
BMW	10,203	19,014	25,839	23,425	50,681	60,200	63,400	66,100	3,892	8,505	9,834	10,580	289	5,030	6,300	6,920
Daimler	17,991	27,670	40,037	38,852	78,924	97,761	108,200	116,500	1,751	10,784	12,990	14,690	(1,513)	7,274	9,200	10,700
Fiat		7,541	11,826	12,170	32,684	36,580	38,960	44,080	2,772	3,160	3,520	3,990	736	1,060	1,220	1,590
Peugeot	7,087	9,097	8,985	9,072	48,417	56,061	57,090	59,870	2,505	4,746	4,986	5,627	(689)	1,796	1,900	2,532
Renault	(7,179)	(1,238)	(3,771)	(4,631)	33,712	38,971	38,820	42,150	2,096	3,919	4,124	4,594	(396)	1,099	1,060	1,320
Volkswagen (Pref.)	49,039	32,592	23,025	18,860	105,187	123,000	129,000	134,000	8,469	13,400	14,620	15,750	1,855	6,600	7,800	8,900
Porsche	9,426	3,702	4,574	4,149	57,081	0	0	0	563	(264)	0	0	(3,657)	(264)	0	0
Scania B	67,181	114,053	108,080	106,230	62,074	79,600	86,100	93,400	6,434	17,385	18,740	19,990	2,473	13,450	15,140	16,390
MAN	12,448	12,754	12,356	12,130	12,026	14,172	16,025	16,980	904	1,418	1,865	1,980	563	959	1,391	1,491
Volvo B	178,780	258,417	250,854	243,904	218,361	268,500	299,200	322,100	(5,370)	27,244	31,744	35,844	(17,014)	15,600	20,100	24,200
European Suppliers																
Continental	21,492	21,725	20,662	19,702	20,096	26,047	29,084	31,722	2,467	3,588	4,265	4,735	1,181	2,517	3,065	3,535
GKN	2,755	3,339	3,311	3,238	4,223	5,084	5,380	5,740	356	624	634	678	150	402	449	488
Michelin	15,458	13,858	14,996	14,712	14,807	17,891	20,157	21,221	1,810	2,689	2,964	3,330	862	1,695	1,920	2,206

Source: Powered by dataCentral

Figure 15. European Automaker and Supplier Valuation Data and Ratios, 2009A – 12E (continued)

	Headline EBIT Margin				EV/Sales				EV/EBITDA				EV/EBIT			
	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E
European Automakers																
BMW	0.6%	8.4%	9.9%	10.5%	20%	32%	41%	35%	2.6x	2.2x	2.6x	2.2x	35.3x	3.8x	4.1x	3.4x
Daimler	-1.9%	7.4%	8.5%	9.2%	23%	28%	37%	33%	10.3x	2.6x	3.1x	2.6x	-11.9x	3.8x	4.4x	3.6x
Fiat	2.3%	2.9%	3.1%	3.6%	0%	21%	30%	28%	0.0x	2.4x	3.4x	3.1x	0.0x	7.1x	9.7x	7.7x
Peugeot	-1.4%	3.2%	3.3%	4.2%	15%	16%	16%	15%	2.8x	1.9x	1.8x	1.6x	-10.3x	5.1x	4.7x	3.6x
Porsche	10.3%	15.6%	18.0%	16.0%	17%	na	na	na	16.7x	-14.0x	nm	nm	-2.6x	na	na	na
Renault	-1.2%	2.8%	2.7%	3.1%	-21%	-3%	-10%	-11%	-3.4x	-0.3x	-0.9x	-1.0x	18.1x	-1.1x	-3.6x	-3.5x
Volkswagen (Pref.)	1.8%	5.4%	6.0%	6.6%	47%	26%	18%	14%	5.8x	2.4x	1.6x	1.2x	26.4x	4.9x	3.0x	2.1x
Volume OEM Average	1.5%	6.5%	7.4%	7.6%	21%	24%	25%	22%	5.0x	-0.4x	1.9x	1.6x	7.9x	3.9x	3.7x	2.8x
Scania B	4.0%	16.9%	17.6%	17.5%	108%	143%	126%	114%	10.4x	6.6x	5.8x	5.3x	27.2x	8.5x	7.1x	6.5x
MAN	4.7%	6.8%	8.7%	8.8%	104%	90%	77%	71%	13.8x	9.0x	6.6x	6.1x	22.1x	13.3x	8.9x	8.1x
Volvo B	-7.8%	5.8%	6.7%	7.5%	82%	96%	84%	76%	-33.3x	9.5x	7.9x	6.8x	-10.5x	16.6x	12.5x	10.1x
Truck Average	0.3%	9.8%	11.0%	11.3%	88%	106%	93%	84%	-3.0x	8.3x	6.8x	6.1x	12.9x	12.8x	9.5x	8.2x
Group Average	1.1%	6.0%	6.7%	7.1%	39%	45%	42%	38%	2.6x	2.2x	3.2x	2.8x	9.4x	6.2x	5.1x	4.2x
European Suppliers																
Continental	5.9%	9.7%	10.5%	11.1%	107%	83%	71%	62%	8.7x	6.1x	4.8x	4.2x	18.2x	8.6x	6.7x	5.6x
GKN	3.6%	7.9%	8.3%	8.5%	65%	66%	62%	56%	7.7x	5.4x	5.2x	4.8x	18.4x	8.3x	7.4x	6.6x
Michelin	5.8%	9.5%	9.5%	10.4%	104%	77%	74%	69%	8.5x	5.2x	5.1x	4.4x	17.9x	8.2x	7.8x	6.7x
Group Average	5.1%	9.0%	9.5%	10.0%	92%	76%	69%	63%	8.3x	5.5x	5.0x	4.5x	18.2x	8.4x	7.3x	6.3x

Source: Powered by dataCentral

European Valuation Data and Ratios (cont)

Figure 16. European Automaker and Supplier Valuation Data and Ratios, 2009A – 12E (continued)

Adjusted EPS				DPS				FCF per Share				BVPS				
2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010E	2011E	2012E	2009	2010	2011E	2012E	
European Automakers																
0.31	4.80	6.70	7.40	0.30	1.40	2.30	2.60	2.22	2.95	5.15	5.93	30.44	34.91	40.24	45.37	BMW
(2.63)	4.28	5.52	6.66	0.00	1.85	2.15	2.60	2.87	3.32	3.09	3.35	30.11	32.08	36.17	41.12	Daimler
(0.22)	0.02	0.40	0.90	0.00	0.17	0.18	0.32	0.76	(0.11)	(0.52)	0.11	6.13	6.07	6.47	7.37	Fiat
(5.11)	5.00	5.51	7.71	0.00	0.50	1.00	1.50	4.03	4.01	(0.13)	2.18	54.27	60.95	65.96	72.67	Peugeot
(12.14)	12.70	7.64	9.65	0.00	0.50	1.74	2.54	7.54	16.53	2.78	5.42	57.69	75.93	82.96	91.83	Renault
2.37	11.53	12.30	13.90	1.66	2.26	3.06	4.06	14.59	17.06	7.94	8.18	93.64	92.86	98.83	108.73	Volkswagen (Ord.)
(14.42)	(2.17)	8.12	10.96	0.05	0.10	0.10	0.10	(24.45)	33.77	(6.57)	0.29	277.02	86.84	102.53	113.72	Porsche
1.41	11.75	12.77	13.86	1.00	5.80	6.30	6.90	6.89	11.66	10.46	11.09	29.13	39.89	46.87	54.45	Scania B
(2.69)	5.11	5.87	6.53	0.25	1.50	1.70	2.00	0.40	0.29	0.25	0.22	34.55	39.65	44.02	48.85	MAN
(7.26)	4.73	6.12	7.64	0.00	1.60	2.50	3.20	(5.62)	4.34	4.64	6.31	32.76	35.92	39.52	43.96	Volvo B
European Suppliers																
(2.57)	4.05	6.79	9.24	0.00	0.00	0.25	0.27	9.43	2.62	4.98	7.13	22.32	29.30	34.71	42.21	Continental
1.57	18.49	19.19	21.90	0.00	5.00	9.00	9.70	0.09	(0.10)	0.13	0.16	74.55	84.57	97.44	110.24	GKN
2.01	6.47	6.90	8.02	0.97	1.78	2.07	2.41	9.36	2.34	0.68	3.75	36.32	53.15	51.31	57.26	Michelin

Source: Powered by dataCentral

Figure 17 European Automaker and Supplier Valuation Data and Ratios, 2009A – 12E (continued)

P/E				Dividend Yield				FCF Yield				Price/Book				
2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E	
European Automakers																
175.5x	11.4x	8.2x	7.4x	0.5%	2.6%	4.2%	4.7%	4.1%	5.4%	9.4%	10.8%	180%	157%	136%	121%	BMW
-17.3x	10.6x	8.2x	6.8x	0.0%	4.1%	4.7%	5.7%	6.3%	7.3%	6.8%	7.4%	151%	142%	126%	111%	Daimler
-27.0x	249.0x	15.2x	6.7x	0.0%	2.8%	2.9%	5.2%	12.5%	-1.8%	-8.6%	1.8%	99%	99%	93%	82%	Fiat
-5.2x	5.4x	4.9x	3.5x	0.0%	1.9%	3.7%	5.6%	15.0%	14.9%	-0.5%	8.1%	49%	44%	41%	37%	Peugeot
-3.7x	-24.6x	6.6x	4.9x	0.1%	0.2%	0.2%	0.2%	-45.8%	63.3%	-12.3%	0.5%	19%	61%	52%	47%	Porsche
-3.1x	3.0x	5.0x	4.0x	0.0%	1.3%	4.6%	6.7%	19.8%	43.3%	7.3%	14.2%	66%	50%	46%	42%	Renault
nm	9.5x	8.9x	7.9x	1.5%	2.1%	2.8%	3.7%	13.3%	15.6%	7.3%	7.5%	117%	118%	111%	101%	Volkswagen (Ord.)
-11.3x	37.8x	8.1x	5.9x	0.3%	2.1%	3.3%	4.5%	3.6%	21.1%	1.3%	7.2%	97%	96%	86%	77%	Volume OEM Average
95.7x	11.5x	10.6x	9.7x	0.7%	4.3%	4.7%	5.1%	5.1%	8.6%	7.7%	8.2%	463%	338%	288%	248%	Scania B
-30.1x	15.9x	13.8x	12.4x	0.3%	1.8%	2.1%	2.5%	0.5%	0.4%	0.3%	0.3%	235%	205%	184%	166%	MAN
-14.3x	22.0x	17.0x	13.6x	0.0%	1.5%	2.4%	3.1%	-5.4%	4.2%	4.5%	6.1%	317%	289%	263%	236%	Volvo B
17.1x	16.4x	13.8x	11.9x	0.3%	2.6%	3.1%	3.6%	0.1%	4.4%	4.2%	4.9%	338%	277%	245%	217%	Truck Average
-0.6x	31.4x	9.8x	7.7x	0.3%	2.3%	3.2%	4.2%	2.5%	16.1%	2.2%	6.5%	170%	150%	134%	119%	Group Average
European Suppliers																
-23.0x	14.6x	8.7x	6.4x	0.0%	0.0%	0.4%	0.5%	15.9%	4.4%	8.4%	12.0%	265%	202%	171%	140%	Continental
123.1x	10.5x	10.1x	8.8x	0.0%	2.6%	4.6%	5.0%	0.0%	-0.1%	0.1%	0.1%	260%	229%	199%	176%	GKN
28.7x	8.9x	8.3x	7.2x	1.7%	3.1%	3.6%	4.2%	16.3%	4.1%	1.2%	6.5%	158%	108%	112%	101%	Michelin
42.9x	11.3x	9.0x	7.5x	0.6%	1.9%	2.9%	3.2%	10.7%	2.8%	3.2%	6.2%	228%	180%	160%	139%	Group Average

Source: Powered by dataCentral. Please refer to the Valuation Definitions page for definition of Adjusted EPS

European Return Analysis

Figure 18. European Automaker Cash and Return Analysis, 2009A – 12E

	Group ROE				Net Industrial Cash/(debt)/EBITDA				Industrial NOPAT margin				Industrial ROCE			
	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E
European Automakers																
BMW	1%	15%	18%	17%	231%	113%	117%	132%	-0.1%	4.4%	5.9%	6.4%	0%	8%	11%	12%
Daimler	-9%	15%	16%	17%	416%	94%	97%	94%	-1.5%	4.9%	5.6%	6.1%	-2%	9%	12%	14%
Fiat	na	0%	6%	13%	-159%	-123%	-119%	-85%		2.4%	2.7%	3.2%		15%	16%	19%
Peugeot	-9%	9%	9%	11%	-80%	-36%	-26%	-12%	-1.8%	1.7%	-0.7%	-1.0%	-5%	5%	-2%	-3%
Porsche	-8%	-1%	9%	10%	-1883%	2133%	nm	nm	-0.6%	3.2%	2.9%	3.9%	0%	17%	14%	18%
Renault	-18%	7%	9%	10%	-283%	-60%	-39%	-17%	-2.9%	-0.1%	0.4%	0.8%	-5%	0%	1%	2%
Volkswagen (Pref.)	3%	13%	13%	13%	126%	62%	62%	63%	-1.1%	3.4%	3.9%	4.3%	-2%	8%	10%	62%
Volume OEM Avg/Total	-7%	8%	11%	13%	-233%	312%	15%	29%	-1.3%	2.8%	3.0%	3.4%	-2%	9%	9%	18%
Scania B	5%	34%	29%	27%	-63%	1%	34%	41%	5.3%	20.8%	19.9%	19.6%	2%	13%	16%	19%
MAN	-5%	14%	14%	14%	306%	157%	104%	88%	3.8%	5.1%	6.8%	6.8%	4%	7%	10%	10%
Volvo B	-20%	14%	16%	18%	773%	-120%	-83%	0%	-7.6%	5.8%	6.5%	7.0%	-5%	5%	6%	7%
Truck Average/Total	-7%	21%	20%	20%	339%	13%	18%	43%	0%	11%	11%	11%	0%	8%	10%	12%
Group Average/Total	nm	12%	14%	15%	-62%	222%	15%	30%	-1%	5%	6%	6%	-1%	8%	8%	16%
European Suppliers																
Continental	-36%	0%	17%	20%	-361%	-210%	-164%	-124%	5.4%	5.0%	6.5%	7.5%	6%	7%	10%	12%
GKN	-4%	27%	21%	21%	-84%	-24%	-14%	-1%	5.8%	12.9%	13.4%	13.7%	4%	9%	10%	11%
Michelin	2%	15%	14%	15%	-169%	-112%	-89%	-59%	5.8%	9.5%	9.5%	10.4%	7%	12%	13%	14%
Group Average/Total	-13%	14%	17%	19%	-204%	-115%	-89%	-61%	5.7%	9.1%	9.8%	10.5%	0.1x	0.1x	0.1x	0.1x

Source: Powered by dataCentral

Figure 19. European Automaker and Supplier Return Analysis, 2009A – 12E

	Group ROCE				Group ROCE/WACC				EV/CE				(EV/CE) / (ROCE/WACC)			
	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E
European Automakers																
BMW	0.2%	9.1%	11.6%	13.1%	0.0x	1.1x	1.5x	1.6x	0.3x	0.5x	0.7x	0.7x	949%	47%	48%	40%
Daimler	-3.7%	10.8%	12.5%	14.2%	-0.4x	1.3x	1.5x	1.7x	0.4x	0.5x	0.8x	0.8x	-82%	43%	54%	46%
Fiat	0.0%	8.6%	11.5%	12.2%	0.0x	1.0x	1.3x	1.4x	0.0x	0.9x	1.3x	1.2x	NA	92%	100%	90%
Peugeot	-0.5%	7.0%	6.9%	8.3%	-0.1x	0.8x	0.8x	1.0x	0.3x	0.4x	0.4x	0.4x	-604%	50%	48%	38%
Porsche	-1.6%	-1.4%	0.0%	0.0%	-0.2x	-0.2x	0.0x	0.0x	0.1x	0.1x	0.2x	0.1x	-27%	-78%	0%	0%
Renault	-2.4%	4.8%	4.9%	5.9%	-0.3x	0.6x	0.6x	0.7x	-0.3x	-0.1x	-0.2x	-0.2x	106%	-10%	-29%	-32%
Volkswagen (Ord.)	3.1%	9.4%	10.9%	43.4%	0.4x	1.2x	1.4x	5.6x	1.0x	0.7x	0.5x	1.3x	254%	54%	32%	23%
Volume OEM Avg/Total	-0.7%	6.9%	8.3%	13.9%	-0.1x	0.8x	1.0x	1.7x	0.2x	0.4x	0.5x	0.6x	99%	28%	36%	29%
Scania B	2.3%	12.0%	14.9%	18.8%	0.3x	1.5x	1.9x	2.4x	0.8x	1.4x	1.5x	1.7x	269%	93%	80%	73%
MAN	4.2%	6.7%	9.8%	9.9%	0.5x	0.8x	1.2x	1.2x	1.2x	1.2x	1.1x	1.0x	221%	141%	91%	83%
Volvo B	-5.0%	6.3%	7.8%	9.6%	-0.6x	0.8x	1.0x	1.2x	0.8x	1.3x	1.3x	1.3x	-129%	170%	135%	111%
Truck Average/Total	0.5%	8.3%	10.8%	12.8%	0.1x	1.0x	1.4x	1.6x	0.9x	1.3x	1.3x	1.4x	1.2x	1.3x	1.0x	0.9x
Group Average/Total	-0.8%	7.4%	9.0%	13.9%	-0.1x	0.9x	1.1x	1.7x	0.4x	0.6x	0.7x	0.8x	92%	51%	52%	43%
European Suppliers																
Continental	8.5%	8.2%	13.9%	15.8%	1.0x	1.0x	1.6x	1.8x	1.4x	1.3x	1.2x	1.1x	138%	139%	75%	62%
GKN	5.6%	12.6%	11.3%	11.6%	0.7x	1.6x	1.4x	1.4x	1.1x	1.2x	1.1x	1.0x	153%	77%	78%	71%
Michelin	6.3%	8.8%	9.1%	9.9%	0.7x	1.0x	1.0x	1.1x	1.3x	1.0x	1.0x	0.9x	178%	97%	94%	81%
Group Average/Total	6.8%	9.9%	11.4%	12.4%	0.8x	1.2x	1.4x	1.5x	1.2x	1.2x	1.1x	1.0x	157%	104%	83%	71%

Source: Powered by dataCentral

European Valuation History

Figure 20. European Automaker and Supplier Valuation History – EV /Sales, 1998A -2012E

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
European Automakers															
BMW	60%	51%	61%	66%	64%	55%	56%	54%	53%	47%	25%	20%	32%	41%	35%
Daimler	56%	49%	37%	43%	40%	35%	33%	33%	49%	48%	28%	23%	28%	37%	33%
Fiat	33%	40%	36%	32%	28%	33%	39%	41%	36%	49%	19%	0%	21%	30%	28%
Peugeot	20%	16%	19%	26%	21%	20%	22%	22%	20%	21%	17%	15%	16%	16%	15%
Renault	20%	22%	28%	27%	28%	23%	30%	10%	17%	25%	17%	-21%	-3%	-10%	-11%
Porsche	126%	99%	115%	130%	137%	134%	134%	123%	118%	138%	152%	17%	na	na	na
Volkswagen (Pref.)	38%	29%	26%	24%	26%	25%	24%	31%	36%	29%	57%	47%	26%	18%	14%
Volume OEM Average (ex Porsche)	50%	44%	46%	50%	49%	46%	48%	32%	35%	36%	33%	22%	23%	24%	21%
Scania B	120%	154%	107%	92%	89%	100%	100%	102%	154%	133%	98%	108%	143%	126%	114%
MAN	NA	NA	NA	NA	NA	56%	51%	50%	46%	36%	74%	104%	90%	77%	71%
Volvo B	39%	56%	58%	43%	44%	59%	59%	48%	55%	89%	65%	82%	96%	84%	76%
Truck Average	80%	105%	83%	68%	67%	72%	70%	67%	85%	98%	73%	88%	106%	93%	84%
Group Average (ex Porsche)	48%	52%	47%	44%	43%	45%	46%	43%	52%	53%	44%	42%	50%	46%	42%
European Suppliers															
Continental	81%	60%	53%	50%	44%	43%	63%	76%	104%	112%	91%	107%	83%	71%	62%
GKN	191%	154%	101%	122%	83%	72%	85%	88%	83%	82%	66%	65%	66%	62%	56%
Michelin	89%	92%	81%	81%	73%	64%	88%	86%	43%	116%	89%	104%	77%	74%	69%
Group Average	120%	102%	78%	84%	67%	60%	79%	68%	64%	111%	87%	101%	79%	71%	64%

Source: Powered by dataCentral

Figure 21. European Automaker and Supplier Valuation History – EV /EBITDA, 1998A -2012E

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
European Automakers															
BMW	5.9x	5.4x	5.1x	4.6x	4.9x	4.3x	3.9x	3.7x	3.5x	3.3x	2.9x	2.6x	2.2x	2.6x	2.2x
Daimler	5.8x	4.8x	5.3x	12.5x	5.5x	4.8x	4.0x	4.4x	3.9x	3.6x	4.7x	10.3x	2.6x	3.1x	2.6x
Fiat	5.0x	6.2x	5.3x	5.7x	8.6x	8.9x	7.9x	5.3x	4.1x	4.9x	1.9x	0.0x	2.4x	3.4x	3.1x
Peugeot	2.3x	1.7x	2.2x	3.0x	2.3x	2.5x	2.1x	2.4x	2.3x	2.4x	2.2x	2.8x	1.9x	1.8x	1.6x
Porsche	10.6x	5.7x	6.7x	8.5x	7.1x	6.1x	4.6x	4.6x	3.6x	2.0x	1.4x	16.7x	-14.0x	nm	nm
Renault	2.2x	2.5x	3.3x	4.0x	3.8x	4.3x	2.8x	1.0x	1.7x	2.2x	2.5x	-3.4x	-0.3x	-0.9x	-1.0x
Volkswagen (Pref.)	4.5x	4.1x	2.8x	2.4x	2.8x	3.3x	2.9x	3.0x	3.7x	2.4x	5.0x	5.8x	2.4x	1.6x	1.2x
Volume OEM Average (ex Porsche)	5.2x	4.3x	4.4x	5.8x	5.0x	4.9x	3.9x	3.3x	3.2x	3.0x	3.8x	3.6x	2.1x	2.1x	1.8x
Scania B	8.1x	8.8x	8.6x	10.7x	7.1x	8.8x	6.1x	6.8x	9.1x	7.2x	5.4x	10.4x	6.6x	5.8x	5.3x
MAN	NA	NA	NA	NA	NA	7.7x	6.6x	6.3x	4.1x	3.2x	6.8x	13.8x	9.0x	6.6x	6.1x
Volvo B	5.3x	7.2x	7.0x	6.6x	7.1x	12.0x	4.9x	4.2x	4.5x	8.0x	7.3x	-33.3x	9.5x	7.9x	6.8x
Group Average (ex Porsche)	5.5x	5.6x	5.5x	6.9x	5.9x	6.8x	5.0x	4.5x	4.4x	4.5x	4.7x	1.4x	4.3x	3.8x	3.3x
European Suppliers															
Continental	7.1x	5.0x	4.9x	6.7x	3.7x	3.4x	3.7x	4.5x	6.4x	7.4x	7.9x	8.7x	6.1x	4.8x	4.2x
GKN	12.4x	9.7x	9.5x	10.5x	7.1x	6.2x	7.4x	8.2x	7.3x	7.0x	7.5x	7.7x	5.4x	5.2x	4.8x
Michelin	5.0x	6.1x	5.8x	6.5x	5.9x	5.4x	6.0x	5.9x	3.2x	7.9x	7.8x	8.5x	5.2x	5.1x	4.4x
Group Average	8.2x	6.9x	6.7x	7.9x	5.6x	5.0x	5.5x	5.6x	5.6x	7.6x	7.8x	8.6x	5.6x	5.0x	4.3x

Source: Powered by dataCentral

US & Japan Autos Recommendation Summary

Figure 22. Global Automakers and Suppliers, Recommendation Summary

Company	Cap. (m)	Current Price	Target Price	Yield 11E%	ETR	Code	Recommendation	Market Cap. (m)	EV 2011E (m)
US Autos									
Ford Motor Company	USD	14.3	17.0	0.0%	19.2%	2H	Hold/ High Risk	53,941	35,566
Borg Warner	USD	73.7	78.0	0.7%	6.5%	2M	Hold/ Medium Risk	8,232	8,539
Goodyear Tire & Rubber Co	USD	14.5	19.0	0.0%	30.7%	1S	Buy/ Speculative Risk	3,540	10,819
Johnson Controls	USD	39.8	41.0	1.4%	4.5%	2H	Hold/ High Risk	26,952	28,834
Japanese Automakers									
Daihatsu Motor	JPY	1,174.0	1,500.0	1.5%	29.3%	1M	Buy/ Medium Risk	500,259	586,503
Fuji Heavy	JPY	563.0	880.0	1.6%	57.9%	1M	Buy/ Medium Risk	438,971	493,129
Hino Motors	JPY	380.0	530.0	1.3%	40.8%	1M	Buy/ Medium Risk	216,564	425,595
Honda Motor	JPY	3,080.0	4,480.0	1.8%	47.2%	1M	Buy/ Medium Risk	5,551,093	3,179,814
Isuzu Motor	JPY	325.0	510.0	1.2%	58.2%	1H	Buy/ High Risk	550,684	709,832
Mazda Motor	JPY	182.0	280.0	1.6%	55.5%	1M	Buy/ Medium Risk	322,174	673,720
Mitsubishi Motors	JPY	99.0	110.0	0.0%	11.1%	2S	Hold/ Speculative Risk	548,249	1,082,444
Nissan Motor	JPY	725.0	1,270.0	1.4%	76.6%	1M	Buy/ Medium Risk	3,033,644	3,653,128
Suzuki Motor	JPY	1,726.0	2,530.0	0.7%	47.3%	1M	Buy/ Medium Risk	968,229	734,870
Toyota Motor	JPY	3,215.0	4,140.0	1.6%	30.3%	2M	Hold/ Medium Risk	10,081,370	5,704,464
Yamaha Motor	JPY	1,340.0	1,240.0	1.0%	-6.4%	2M	Hold/ Medium Risk	467,790	699,640
Japanese Auto Suppliers									
Aisan Industry	JPY	882	950.0	1.8%	9.5%	1M	Buy/ Medium Risk	48,940	35,720
Aisin Seiki	JPY	2,788	3,600.0	1.8%	30.9%	1M	Buy/ Medium Risk	784,629	737,656
Bridgestone	JPY	1,660	2,260.0	1.3%	37.5%	1M	Buy/ Medium Risk	1,299,221	1,753,378
Calsonic Kansei	JPY	320	460.0	1.6%	45.3%	2H	Hold/ High Risk	85,754	121,975
Denso	JPY	2,591	3,600.0	1.7%	40.6%	1M	Buy/ Medium Risk	2,087,946	1,260,051
Keihin	JPY	1,405	2,260.0	1.8%	62.6%	1M	Buy/ Medium Risk	103,916	65,655
Koito Mfg.	JPY	1,250	1,580.0	1.6%	28.0%	1M	Buy/ Medium Risk	200,877	144,425
Nissin Kogyo	JPY	1,327	1,870.0	1.8%	42.7%	1H	Buy/ High Risk	86,764	61,059
NOK	JPY	1,357	1,750.0	1.1%	30.1%	2M	Hold/ Medium Risk	232,872	273,575
Sanden	JPY	327	310.0	1.5%	-3.7%	2M	Hold/ Medium Risk	44,569	106,384
Stanley Electric	JPY	1,339	1,540.0	1.9%	17.0%	2M	Hold/ Medium Risk	230,675	140,200
Sumitomo Rubber	JPY	812	1,050.0	2.2%	31.5%	1M	Buy/ Medium Risk	213,019	399,734
Taiho Kogyo	JPY	683	1,070.0	2.9%	59.6%	1H	Buy/ High Risk	19,172	27,504
Tokai Rika	JPY	1,288	1,670.0	2.5%	32.1%	2M	Hold/ Medium Risk	116,329	30,059
Toyota Industries	JPY	2,399	2,800.0	2.1%	18.8%	2M	Hold/ Medium Risk	747,447	923,623
Yokohama Rubber	JPY	373	480.0	2.7%	31.4%	2M	Hold/ Medium Risk	124,982	234,695

Source: Powered by dataCentral. Price as at 18 March 2011

US & Japan Valuation Summary

Figure 23. Global Automaker and Supplier Valuation Ratios – Auto Assemblers, 2009A – 12E

Stock	EV/Sales				EV/EBITDA				EV/EBIT				P/E			
	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
US Autos	88%	65%	55%	47%	-1.3x	7.6x	6.1x	4.8x	13.8x	11.0x	8.7x	6.5x	940.9x	17.3x	14.8x	10.5x
Ford Motor Company	51%	41%	30%	22%	-95.3x	7.3x	4.6x	3.4x	-95.3x	7.3x	4.6x	3.4x	5486.5x	7.5x	8.6x	9.1x
Borg Warner	215%	152%	128%	106%	25.2x	11.0x	8.8x	7.3x	110.9x	16.3x	12.1x	9.7x	186.3x	24.5x	17.8x	15.1x
Goodyear Tire & Rubber Co	66%	56%	52%	49%	11.1x	7.5x	7.6x	5.9x	34.6x	13.9x	14.3x	9.4x	-15.5x	29.1x	26.7x	7.3x
Johnson Controls	104%	85%	74%	65%	22.7x	12.2x	9.9x	8.0x	53.3x	17.2x	12.9x	10.1x	71.4x	20.2x	15.7x	12.8x
Japanese Automakers	43%	49%	39%	34%	1.9x	8.1x	5.2x	4.4x	13.4x	70.2x	12.8x	9.8x	1.3x	22.7x	26.7x	14.8x
Daihatsu Motor	40%	40%	36%	30%	5.0x	5.2x	3.5x	2.9x	16.9x	15.6x	6.5x	5.4x	22.7x	23.6x	10.4x	9.6x
Fuji Heavy	43%	42%	31%	24%	10.4x	7.1x	3.7x	3.0x	-106.0x	22.0x	6.0x	4.9x	-6.1x	-26.7x	7.6x	6.1x
Hino Motors	40%	45%	35%	30%	15.2x	10.0x	5.7x	4.4x	-21.9x	408.5x	14.2x	9.6x	-3.5x	-72.2x	15.5x	9.6x
Honda Motor	37%	43%	36%	30%	6.2x	5.0x	3.2x	2.6x	19.5x	10.1x	4.9x	3.8x	40.8x	20.8x	10.1x	9.1x
Isuzu Motor	51%	70%	49%	41%	12.0x	15.1x	5.8x	4.6x	33.8x	69.1x	8.4x	6.7x	-20.5x	65.6x	10.2x	8.6x
Mazda Motor	29%	35%	29%	27%	15.5x	8.9x	6.7x	5.8x	-25.6x	80.7x	24.1x	16.6x	-3.5x	-42.7x	49.6x	14.3x
Mitsubishi Motors	54%	78%	66%	59%	12.9x	13.6x	11.4x	10.5x	273.2x	81.3x	43.3x	35.7x	-10.0x	115.2x	133.7x	63.7x
Nissan Motor	50%	54%	42%	34%	14.7x	6.1x	3.9x	3.1x	-30.3x	13.1x	6.5x	5.0x	-12.6x	69.7x	9.0x	7.0x
Suzuki Motor	35%	39%	28%	26%	4.8x	4.3x	2.9x	2.6x	13.6x	12.1x	6.1x	5.4x	32.0x	31.2x	14.8x	12.5x
Toyota Motor	31%	35%	30%	27%	10.4x	5.6x	4.0x	3.3x	-13.8x	44.4x	9.8x	6.6x	-23.1x	48.1x	19.2x	12.0x
Yamaha Motor	66%	58%	48%	43%	-85.8x	8.3x	6.5x	5.5x	-12.2x	15.0x	10.8x	8.5x	-1.8x	16.7x	13.0x	10.4x
Japanese Auto Suppliers	39%	42%	35%	31%	5.1x	3.9x	2.9x	2.7x	-10.3x	8.1x	5.9x	5.3x	33.7x	34.0x	13.9x	9.3x
Aisan Industry	25%	28%	24%	22%	3.2x	2.7x	2.2x	2.0x	28.2x	8.8x	5.1x	4.0x	-8.6x	30.9x	44.5x	9.3x
Aisin Seiki	39%	42%	32%	29%	4.9x	3.3x	2.4x	2.2x	-248.7x	9.8x	4.9x	4.0x	-31.2x	47.2x	13.0x	10.0x
Calsonic Kansei	16%	21%	16%	14%	9.0x	6.4x	2.8x	2.5x	-6.4x	-22.7x	5.8x	5.0x	-1.6x	-6.5x	7.5x	6.1x
Denso	44%	48%	40%	34%	5.7x	3.8x	3.0x	2.6x	-36.7x	10.4x	5.7x	4.4x	-24.8x	28.4x	13.6x	12.2x
Keihin	29%	34%	28%	22%	2.9x	2.9x	2.2x	1.8x	7.1x	6.3x	3.5x	2.7x	-18.5x	13.6x	8.2x	7.5x
Koito Mfg.	40%	37%	33%	30%	4.5x	2.5x	2.4x	2.1x	17.5x	4.2x	3.6x	3.1x	49.7x	32.3x	17.2x	10.1x
Nissin Kogyo	37%	46%	37%	32%	3.0x	4.6x	2.8x	2.4x	5.6x	13.8x	4.6x	3.6x	20.6x	33.4x	11.4x	9.2x
NOK	44%	53%	41%	36%	4.2x	4.4x	2.9x	2.7x	27.6x	17.3x	5.4x	4.7x	359.3x	181.4x	11.3x	9.3x
Sanden	44%	49%	41%	38%	11.6x	6.0x	5.0x	4.7x	-15.4x	18.4x	11.4x	10.2x	-1.4x	10.1x	6.4x	7.4x
Stanley Electric	58%	65%	56%	52%	3.4x	3.4x	2.8x	2.5x	7.0x	6.3x	4.5x	4.0x	19.3x	13.6x	12.8x	11.3x
Sumitomo Rubber	81%	67%	60%	56%	6.4x	4.7x	5.3x	4.5x	14.8x	8.5x	11.2x	9.2x	na	9.9x	11.9x	9.3x
Taiho Kogyo	27%	39%	30%	25%	4.0x	3.6x	2.5x	2.1x	-20.0x	18.7x	7.0x	4.3x	-11.8x	61.3x	9.2x	6.6x
Tokai Rika	14%	13%	9%	6%	2.3x	1.2x	0.8x	0.6x	56.5x	2.3x	1.4x	0.9x	109.2x	9.2x	18.8x	7.7x
Yokohama Rubber	48%	53%	45%	44%	5.9x	5.0x	4.2x	5.4x	19.2x	11.6x	8.4x	14.5x	-22.1x	10.9x	9.5x	14.5x

Source: Powered by dataCentral

Other Auto & Related Stocks Recommendation Summary

Figure 24. Global Automakers and Suppliers, Recommendation Summary

Company	CCY	Current Price	Target Price	Yield (%) 11E	ETR	Code	Recommendation	Market Cap. (m)	EV 2011E (m)
Engineering Stocks									
Atlas Copco	SEK	155.70	140.00	2.6%	-7.5%	2H	Hold/ High Risk	185,207	192,021
GKN Plc	GBP	1.91	2.20	4.7%	19.8%	2M	Hold/ Medium Risk	2,969	3,274
IMI	GBP	9.49	11.00	3.1%	19.0%	1H	Buy/ High Risk	3,042	3,429
MAN	EUR	81.12	100.00	2.1%	25.4%	1M	Buy/ Medium Risk	11,764	12,356
Metso	EUR	36.89	37.00	6.1%	6.4%	2H	Hold/ High Risk	5,546	6,316
Sandvik	SEK	115.60	175.00	2.7%	54.1%	1H	Buy/ High Risk	137,135	162,337
SKFAB	SEK	173.20	145.00	3.2%	-13.1%	3H	Sell/ High Risk	78,858	93,826
European Small & Mid-Cap Autos									
Ford Otomotiv Sanayi AS	EUR	14.25	12.60	5.9%	-5.7%	2M	Hold/ Medium Risk	5,000	5,290
Tofas	EUR	8.20	7.30	6.2%	-4.8%	2M	Hold/ Medium Risk	4,100	4,410
Inchcape PLC	GBP	3.63	4.70	3.3%	32.9%	1H	Buy/ High Risk	1,670	1,506
China & Korea Auto Stocks									
Brilliance China	HKD	5.90	7.90	0.0%	33.9%	2M	Hold/ Medium Risk	29,464	17,397
Dongfeng Motor	HKD	12.60	20.75	1.8%	66.5%	1M	Buy/ Medium Risk	108,563	83,146
Sinotruk (Hong Kong)	HKD	6.46	8.65	1.3%	35.2%	3M	Sell/ Medium Risk	17,836	17,218
Qingling Motors	HKD	2.02	2.75	4.7%	40.8%	1M	Buy/ Medium Risk	5,014	(614)
Weichai Power	HKD	46.80	42.23	1.5%	-8.2%	3M	Sell/ Medium Risk	77,973	68,211
Xingda International Holdings	HKD	7.50	7.60	2.2%	3.5%	1M	Buy/ Medium Risk	11,436	11,384
Hyundai Motor	WON	179,500	250,000	1.7%	41.0%	1M	Buy/ Medium Risk	39,539,628	21,969
Hyundai Mobis	WON	276,000	400,000	1.2%	46.1%	1M	Buy/ Medium Risk	26,866,908	17,701
Kia	WON	60,900	73,000	1.2%	21.1%	1M	Buy/ Medium Risk	24,256,448	19,372
Indian Auto Stocks									
Ashok Leyland	INR	52.1	72	2.5%	40.8%	3M	Sell/ Medium Risk	69,244	83,727
Bharat Forge	INR	326.0	108	0.9%	-66.0%	3H	Sell/ High Risk	75,891	91,538
Hero Honda	INR	1,474.2	1,443	2.7%	0.6%	3L	Sell/ Low Risk	294,369	239,270
Mahindra & Mahindra	INR	633.0	771	1.7%	23.5%	1L	Buy/ Low Risk	388,593	338,714
Maruti Udyog	INR	1,158.3	1,395	0.5%	21.0%	2L	Hold/ Low Risk	334,645	274,063
Tata Motors	INR	1,118.0	1,533	1.0%	38.1%	1M	Buy/ Medium Risk	660,721	947,983

Source: Powered by dataCentral. Prices at 18 March 2011

Other Auto & Related Stocks Valuation Summary

Figure 25. Global Automaker and Supplier Valuation Ratios – Auto Assemblers, 2009A – 12E

Stock	EV/Sales				EV/EBITDA				EV/EBIT				P/E			
	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
Engineering Stocks	178%	156%	141%	129%	19.3x	9.6x	8.3x	7.4x	3.0x	12.7x	10.4x	9.1x	20.7x	16.5x	13.9x	12.1x
Atlas Copco	314%	276%	251%	232%	17.3x	11.7x	10.7x	9.7x	22.0x	13.9x	12.4x	11.1x	30.3x	19.1x	17.4x	15.5x
GKN Plc	104%	82%	74%	68%	13.1x	7.1x	6.7x	6.2x	34.0x	11.4x	9.8x	8.8x	97.3x	10.3x	10.0x	8.7x
IMI	197%	183%	159%	146%	12.2x	9.4x	8.1x	7.3x	15.5x	11.2x	9.4x	8.4x	21.5x	15.4x	12.5x	11.4x
MAN	104%	90%	77%	71%	13.8x	9.0x	6.6x	6.1x	24.7x	12.5x	8.4x	7.7x	-30.1x	15.9x	13.8x	12.4x
Metso	127%	110%	99%	94%	14.6x	9.8x	8.6x	7.8x	21.7x	13.8x	11.0x	9.8x	29.4x	18.6x	14.9x	12.9x
Sandvik	240%	203%	182%	158%	47.1x	11.1x	8.9x	7.2x	-125.6x	15.2x	11.6x	9.0x	-51.7x	20.7x	14.8x	11.4x
SKFAB	163%	151%	143%	131%	17.1x	8.9x	8.3x	7.5x	28.7x	10.9x	10.1x	9.0x	48.0x	15.3x	14.0x	12.7x
Euro Small & Mid-Cap Autos	62%	50%	46%	42%	8.8x	7.0x	6.2x	5.6x	13.0x	10.0x	8.6x	7.6x	16.4x	12.3x	10.1x	9.2x
Ford Otomotiv Sanayi AS	91%	71%	71%	68%	9.1x	7.1x	6.8x	6.5x	13.1x	9.1x	8.7x	8.8x	15.0x	11.0x	10.2x	10.0x
Tofas	95%	77%	67%	58%	10.6x	7.6x	6.4x	5.3x	18.7x	13.5x	10.8x	8.1x	16.5x	11.7x	10.6x	9.9x
Inchcape PLC	33%	27%	25%	23%	8.8x	6.0x	5.3x	4.7x	10.6x	7.1x	6.2x	5.4x	13.4x	11.4x	10.5x	9.2x
China & Korea Auto Stocks	147%	120%	99%	79%	3.6x	11.3x	9.2x	7.6x	8.9x	14.5x	11.5x	9.3x	8.7x	13.8x	10.6x	8.8x
Brilliance China	159%	170%	144%	118%	-20.1x	21.5x	18.1x	15.4x	-13.7x	25.9x	21.7x	18.0x	-13.7x	24.7x	16.9x	12.2x
Sinotruk (Hong Kong)	55%	45%	47%	43%	7.4x	5.8x	5.4x	4.8x	10.1x	8.3x	8.2x	7.3x	13.0x	13.4x	12.0x	10.5x
Qingling Motors	-6%	-11%	-9%	-10%	-0.5x	-1.3x	-1.1x	-1.3x	-1.3x	-2.9x	-2.3x	-2.5x	17.5x	14.7x	13.3x	12.0x
Weichai Power	193%	114%	97%	81%	11.9x	7.1x	6.2x	5.2x	14.1x	7.9x	6.8x	5.8x	19.3x	10.5x	9.8x	8.6x
Xingda International Holdings	291%	219%	172%	147%	9.7x	6.9x	5.5x	4.8x	12.4x	8.3x	6.6x	5.7x	16.1x	11.3x	9.3x	8.9x
Hyundai Motor	96%	74%	58%	42%	8.4x	5.6x	4.1x	3.1x	13.6x	8.4x	5.9x	4.2x	17.3x	9.4x	8.2x	7.4x
Hyundai Mobis	207%	146%	117%	92%	13.3x	9.3x	7.2x	5.6x	15.5x	11.1x	8.6x	6.6x	15.8x	10.5x	8.7x	7.8x
Kia	127%	91%	77%	65%	12.8x	8.9x	7.3x	6.2x	20.4x	12.6x	9.9x	8.3x	15.5x	10.5x	8.6x	7.8x
Indian Auto Stocks	204%	131%	103%	83%	24.4x	10.1x	8.2x	6.7x	40.2x	13.5x	10.1x	8.2x	36.8x	17.3x	12.5x	10.5x
Ashok Leyland	128%	117%	77%	64%	17.1x	11.6x	6.9x	5.7x	28.5x	16.1x	8.7x	7.5x	28.4x	16.2x	9.8x	8.2x
Hero Honda	214%	157%	126%	103%	15.4x	9.3x	10.0x	9.1x	17.3x	10.0x	11.1x	9.9x	23.0x	13.2x	14.8x	13.6x
Mahindra & Mahindra	282%	194%	153%	117%	33.9x	12.2x	10.0x	7.3x	46.3x	14.0x	11.5x	8.2x	41.4x	18.6x	15.3x	12.0x
Maruti Udyog	142%	97%	74%	62%	17.6x	7.7x	8.2x	6.7x	30.7x	9.9x	11.5x	9.5x	27.5x	13.4x	14.8x	12.8x
Tata Motors	253%	88%	85%	69%	38.1x	9.5x	5.9x	4.7x	78.4x	17.3x	7.9x	6.0x	63.6x	24.8x	7.7x	6.0x

Source: Powered by dataCentral

Global Assembler Valuation Summary

Figure 26. Sub Sector Valuation Ratios – Global Auto Assemblers, 2009A – 12E

Stock	EV/Sales				EV/EBITDA				EV/EBIT				P/E			
	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
Global Assemblers																
BMW	20%	32%	41%	35%	2.6x	2.2x	2.6x	2.2x	35.3x	3.8x	4.1x	3.4x	175.5x	11.4x	8.2x	7.4x
Daimler	23%	28%	37%	33%	10.3x	2.6x	3.1x	2.6x	-11.9x	3.8x	4.4x	3.6x	-17.3x	10.6x	8.2x	6.8x
Fiat	0%	21%	30%	28%	0.0x	2.4x	3.4x	3.1x	0.0x	7.1x	9.7x	7.7x	-26.9x	248.0x	15.1x	6.7x
Peugeot	15%	16%	16%	15%	2.8x	1.9x	1.8x	1.6x	-10.2x	5.0x	4.7x	3.6x	-5.2x	5.3x	4.8x	3.5x
Renault	-22%	-3%	-10%	-11%	-3.5x	-0.3x	-0.9x	-1.0x	18.3x	-1.2x	-3.6x	-3.6x	-3.1x	3.0x	5.0x	3.9x
Volkswagen (Pref.)	47%	26%	18%	14%	5.8x	2.4x	1.6x	1.2x	26.4x	4.9x	3.0x	2.1x	nm	9.5x	8.9x	7.9x
Porsche	17%	na	na	na	16.7x	-14.0x	nm	nm	-2.6x	na	na	na	-3.7x	-24.6x	6.6x	4.9x
Scania B	107%	142%	125%	113%	10.3x	6.5x	5.7x	5.3x	26.9x	8.4x	7.1x	6.4x	95.1x	11.4x	10.5x	9.7x
Volvo B	82%	96%	84%	76%	-33.2x	9.5x	7.9x	6.8x	-10.5x	16.5x	12.5x	10.1x	-14.3x	21.9x	16.9x	13.6x
Ford Motor Company	51%	41%	30%	22%	-95.3x	7.3x	4.6x	3.4x	-95.3x	7.3x	4.6x	3.4x	na	7.5x	8.6x	9.1x
Daihatsu Motor	40%	40%	36%	30%	5.0x	5.2x	3.5x	2.9x	16.9x	15.6x	6.5x	5.4x	22.7x	23.6x	10.4x	9.6x
Fuji Heavy	43%	42%	31%	24%	10.4x	7.1x	3.7x	3.0x	-106.0x	22.0x	6.0x	4.9x	-6.1x	-26.7x	7.6x	6.1x
Hino Motors	40%	45%	35%	30%	15.2x	10.0x	5.7x	4.4x	-21.9x	408.5x	14.2x	9.6x	-3.5x	-72.2x	15.5x	9.6x
Honda Motor	37%	43%	36%	30%	6.2x	5.0x	3.2x	2.6x	19.5x	10.1x	4.9x	3.8x	40.8x	20.8x	10.1x	9.1x
Isuzu Motor	51%	70%	49%	41%	12.0x	15.1x	5.8x	4.6x	33.8x	69.1x	8.4x	6.7x	-20.5x	65.6x	10.2x	8.6x
Mazda Motor	29%	35%	29%	27%	15.5x	8.9x	6.7x	5.8x	-25.6x	80.7x	24.1x	16.6x	-3.5x	-42.7x	49.6x	14.3x
Mitsubishi Motors	54%	78%	66%	59%	12.9x	13.6x	11.4x	10.5x	273.2x	81.3x	43.3x	35.7x	-10.0x	115.2x	133.7x	63.7x
Nissan Motor	50%	54%	42%	34%	14.7x	6.1x	3.9x	3.1x	-30.3x	13.1x	6.5x	5.0x	-12.6x	69.7x	9.0x	7.0x
Toyota Motor	31%	35%	30%	27%	10.4x	5.6x	4.0x	3.3x	-13.8x	44.4x	9.8x	6.6x	-23.1x	48.1x	19.2x	12.0x
Yamaha Motor	66%	58%	48%	43%	-85.8x	8.3x	6.5x	5.5x	-12.2x	15.0x	10.8x	8.5x	-1.8x	16.7x	13.0x	10.4x
Brilliance China	159%	170%	144%	118%	-20.1x	21.5x	18.1x	15.4x	-13.7x	25.9x	21.7x	18.0x	-13.7x	24.7x	16.9x	12.2x
Mahindra & Mahindra	289%	199%	157%	120%	34.7x	12.5x	10.3x	7.5x	47.4x	14.3x	11.8x	8.4x	42.3x	19.0x	15.6x	12.3x
Maruti Udyog	145%	99%	76%	63%	18.0x	7.9x	8.3x	6.8x	31.3x	10.1x	11.7x	9.7x	27.9x	13.6x	15.1x	13.1x
Tata Motors	255%	89%	86%	69%	38.4x	9.5x	6.0x	4.7x	79.1x	17.4x	7.9x	6.0x	64.2x	25.0x	7.8x	6.1x
Hyundai Motor	96%	74%	58%	42%	8.4x	5.6x	4.1x	3.1x	13.6x	8.4x	5.9x	4.2x	17.3x	9.4x	8.2x	7.4x
Assemblers	71%	65%	55%	46%	1.0x	6.4x	5.5x	4.6x	11.1x	36.2x	10.0x	7.8x	14.0x	24.0x	17.1x	10.9x
Regional Average																
European	32%	45%	43%	38%	1.3x	1.5x	3.1x	2.7x	8.0x	6.1x	5.2x	4.2x	25.0x	32.9x	9.4x	7.1x
US	51%	41%	30%	22%	-95.3x	7.3x	4.6x	3.4x	-95.3x	7.3x	4.6x	3.4x	na	7.5x	8.6x	9.1x
Japanese	44%	50%	40%	35%	1.6x	8.5x	5.4x	4.5x	13.4x	76.0x	13.4x	10.3x	-1.8x	21.8x	27.8x	15.1x
Asia (exclud. Japan)	178%	120%	100%	80%	15.4x	11.0x	9.0x	7.3x	29.7x	14.8x	11.5x	9.1x	23.0x	16.3x	12.2x	10.2x

Source: Powered by dataCentral

Global Supplier Valuation Summary

Figure 27. Sub Sector Valuation Ratios – Global Auto Suppliers, 2009A – 12E

Stock	EV/Sales				EV/EBITDA				EV/EBIT				P/E			
	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
European Suppliers	86%	74%	66%	59%	8.2x	5.7x	5.0x	4.4x	18.2x	8.4x	7.0x	6.1x	49.3x	12.5x	9.3x	7.6x
Continental	107%	83%	71%	62%	8.7x	6.1x	4.8x	4.2x	18.2x	8.6x	6.7x	5.6x	-23.0x	14.6x	8.7x	6.4x
GKN	64%	65%	61%	56%	7.6x	5.3x	5.2x	4.7x	18.1x	8.2x	7.3x	6.6x	121.6x	10.3x	10.0x	8.7x
US Suppliers	103%	74%	62%	52%	19.2x	7.7x	6.1x	5.0x	35.8x	11.2x	8.4x	6.5x	43.6x	16.7x	13.4x	11.6x
Borg Warner	215%	152%	128%	106%	25.2x	11.0x	8.8x	7.3x	110.9x	16.3x	12.1x	9.7x	186.3x	24.5x	17.8x	15.1x
Johnson Controls	104%	85%	74%	65%	22.7x	12.2x	9.9x	8.0x	53.3x	17.2x	12.9x	10.1x	71.4x	20.2x	15.7x	12.8x
Japanese Suppliers	38%	43%	35%	31%	5.3x	4.1x	2.9x	2.5x	-26.2x	8.3x	5.6x	4.6x	36.0x	41.5x	11.1x	9.0x
Aisin Seiki	39%	42%	32%	29%	4.9x	3.3x	2.4x	2.2x	-248.7x	9.8x	4.9x	4.0x	-31.2x	47.2x	13.0x	10.0x
Calsonic Kansei	16%	21%	16%	14%	9.0x	6.4x	2.8x	2.5x	-6.4x	-22.7x	5.8x	5.0x	-1.6x	-6.5x	7.5x	6.1x
Denso	44%	48%	40%	34%	5.7x	3.8x	3.0x	2.6x	-36.7x	10.4x	5.7x	4.4x	-24.8x	28.4x	13.6x	12.2x
Keihin	29%	34%	28%	22%	2.9x	2.9x	2.2x	1.8x	7.1x	6.3x	3.5x	2.7x	-18.5x	13.6x	8.2x	7.5x
Koito Mfg.	40%	37%	33%	30%	4.5x	2.5x	2.4x	2.1x	17.5x	4.2x	3.6x	3.1x	49.7x	32.3x	17.2x	10.1x
Nissin Kogyo	37%	46%	37%	32%	3.0x	4.6x	2.8x	2.4x	5.6x	13.8x	4.6x	3.6x	20.6x	33.4x	11.4x	9.2x
NOK	44%	53%	41%	36%	4.2x	4.4x	2.9x	2.7x	27.6x	17.3x	5.4x	4.7x	359.3x	181.4x	11.3x	9.3x
Sanden	44%	49%	41%	38%	11.6x	6.0x	5.0x	4.7x	-15.4x	18.4x	11.4x	10.2x	-1.4x	10.1x	6.4x	7.4x
Stanley Electric	58%	65%	56%	52%	3.4x	3.4x	2.8x	2.5x	7.0x	6.3x	4.5x	4.0x	19.3x	13.6x	12.8x	11.3x
Taiho Kogyo	27%	39%	30%	25%	4.0x	3.6x	2.5x	2.1x	-20.0x	18.7x	7.0x	4.3x	-11.8x	61.3x	9.2x	6.6x
Other Asian Suppliers	345%	229%	166%	138%	14.9x	8.9x	7.0x	5.9x	18.7x	10.5x	8.1x	6.8x	21.3x	12.4x	10.0x	9.0x
Xingda International I	291%	219%	172%	147%	9.7x	6.9x	5.5x	4.8x	12.4x	8.3x	6.6x	5.7x	16.1x	11.3x	9.3x	8.9x
Hyundai Mobis	207%	146%	117%	92%	13.3x	9.3x	7.2x	5.6x	15.5x	11.1x	8.6x	6.6x	15.8x	10.5x	8.7x	7.8x
Auto Suppliers	117%	90%	70%	60%	10.3x	5.9x	4.6x	3.9x	-0.4x	9.3x	6.8x	5.6x	35.9x	27.8x	11.1x	9.3x
Continental	107%	83%	71%	62%	8.7x	6.1x	4.8x	4.2x	18.2x	8.6x	6.7x	5.6x	-23.0x	14.6x	8.7x	6.4x
Goodyear Tire & Rub	66%	56%	52%	49%	11.1x	7.5x	7.6x	5.9x	34.6x	13.9x	14.3x	9.4x	-15.5x	29.1x	26.7x	7.3x
Michelin	104%	77%	74%	69%	8.5x	5.1x	5.0x	4.4x	17.8x	8.1x	7.8x	6.6x	28.4x	8.8x	8.3x	7.1x
Bridgestone	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Sumitomo Rubber	81%	67%	60%	56%	6.4x	4.7x	5.3x	4.5x	14.8x	8.5x	11.2x	9.2x	na	9.9x	11.9x	9.3x
Yokohama Rubber	48%	53%	45%	44%	5.9x	5.0x	4.2x	5.4x	19.2x	11.6x	8.4x	14.5x	-22.1x	10.9x	9.5x	14.5x
Tyre Makers	81%	67%	60%	56%	8.1x	5.7x	5.4x	4.9x	20.9x	10.1x	9.7x	9.1x	-8.1x	14.7x	13.0x	8.9x
Regional Average																
European	90%	73%	66%	60%	8.9x	6.0x	5.5x	4.7x	21.4x	9.5x	8.6x	6.7x	17.7x	15.5x	12.5x	7.2x
US	103%	74%	62%	52%	19.2x	7.7x	6.1x	5.0x	35.8x	11.2x	8.4x	6.5x	43.6x	16.7x	13.4x	11.6x
Japanese	42%	46%	38%	34%	5.4x	4.2x	3.2x	2.9x	-19.0x	8.5x	6.3x	5.8x	na	36.3x	11.0x	9.5x
Asia (exclud. Japan)	117%	90%	70%	60%	10.3x	5.9x	4.6x	3.9x	-0.4x	9.3x	6.8x	5.6x	35.9x	27.8x	11.1x	9.3x

Source: Powered by dataCentral

Autos Calendar

Figure 28. Monthly Diary of Events 21 March – 15 April 2011

Monday	Tuesday	Wednesday	Thursday	Friday
21-Mar	22-Mar	23-Mar	24-Mar	25-Mar
Michelin Tyre Data Released				
28-Mar	29-Mar	30-Mar	31-Mar	01-Apr
	Schaeffler Analyst Conference ACEA Commercial Vehicle Data Released	FIAT AGM		Top 5 European Countries Sales Data Released
04-Apr	05-Apr	06-Apr	07-Apr	08-Apr
NA Truck ACT Flash Data Released		Volvo Group AGM	JD Power Automotive Spring Conference	
11-Apr	12-Apr	13-Apr	14-Apr	15-Apr
		Daimler AGM		

Source: Company Reports and Citi Investment Research and Analysis

Figure 29. Auto Sector – Recent and Upcoming Results Dates

European Assemblers	4Q10 / FY10	AGM	1Q11	2Q11	3Q11
BMW	15-Mar-2011	15-Mar-2011 – Annual Press Conf 16-Mar-2011 – Financial Analysts Meeting	04-May-2011	30-June - 2011	30 – Sep-2011
Daimler	02-Mar-2011	16-Feb 2011 Annual press Conf. 13-Apr-2011 - AGM	28-Apr-2011	26-Jul-2011	26-Oct-2011
Fiat	27-Jan-2011	30-Mar-2011	20-Apr-2011	25-Jul-2011	27-Oct-2011
Peugeot	09-Feb-2011	31-Mar-2011	20-Apr-2011	27-Jul-2011	26-Oct-2011
Porsche	17-Mar - 2011	TBC	TBC	TBC	TBC
Renault	10-Feb-2011	29-Apr-2011	26-Apr-2011	28-Jul-2011	27-Oct-2011
Scania	02-Feb-2011	05-May-2011	27-Apr-2011	27-Jul-2011	25-Oct-2011
Volkswagen	10-Mar-2011	03-May-2011	27-Apr-2011	28-Jul-2011	27-Oct-2011
Volvo	04-Feb-2011	06-Apr-2011	27-Apr-2011	22-Jul-2011	25-Oct-2011
European Suppliers					
Continental	03-Mar-2011	28-Apr-2011	05-May-2011	02-Aug-2011	03-Nov-2011
GKN	01-Mar-2011	05-May-2011	TBC	TBC	TBC
Michelin	11-Feb-2011	13-May-2011	21-Apr-2011	29-Jul-2011	26-Oct-2011

Source: Company Reports

Valuation Definitions¹

1. **Enterprise Value** is market capitalisation plus year-average net debt plus last reported pension funded status (i.e. PBO less plan assets²) plus year-average minorities, plus any other provisions deemed as debt like in nature.
2. **Adjusted EBITDA** is reported EBITDA adjusted for pension expense (i.e. after pension service cost but before pension interest or amortisation of actuarial gains/losses) plus associate income.
3. **Adjusted EBIT** is reported EBIT adjusted for pension expense (i.e. after pension service cost but before pension interest or amortisation of actuarial gains/losses as we ignore these in our EV) plus associate income.
4. **Adjusted EPS** is reported profit after tax, pre-goodwill but after minorities and excluding exceptionals/extraordinaries and tax on exceptionals/extraordinaries, divided by weighted average number of shares in issue during the year.
5. **Free Cash Flow** is operating cash flow (including changes in working capital) less capital expenditure (including any capitalised R&D) but before any net financial investments or acquisitions. Financial services cash flows are excluded.
6. **ROE** is reported net profit divided by year average shareholders' funds.
7. **Capital Employed** is industrial fixed assets (including associates), plus net working capital, plus net other non-interest bearing assets and liabilities, plus financial services at equity.
8. **Industrial Capital Employed** is group capital employed less financial services at equity where applicable.
9. **Group ROCE** is net operating profit after tax ($\text{NOPAT} = \text{EBIT} \times (1 - \text{Tax Rate})$), including associates, divided by year average group capital employed.
10. **Industrial ROCE** is industrial net operating profit after tax divided by year average industrial capital employed. Our valuation sheet also dissects industrial ROCE into profitability ($\text{NOPAT}/\text{Sales}$) and capital intensity ($\text{Sales}/\text{Capital Employed}$). For suppliers this is identical to group ROCE.
11. **Group ROCE / WACC** measures returns on capital achieved by management relative to the weighted average cost of that capital.
12. **EV / CE** measures the market enterprise valuation (adjusted as per above) relative to the capital employed by the enterprise.
13. **(EV/CE)/(ROCE/WACC)** measures the required return implied by the market price versus the actual return achieved. The ratio simplifies to $(\text{WACC} \times \text{EV}/\text{NOPAT})$.

¹ N.B. Adjusted multiples published in this report may differ from headline multiples published in other research due to the adjustments described above.

² Where the funded status is significantly greater than the reported pension provision, we tax shield the unrecognised portion of the liability in order to reflect the tax deductibility of the pension liability once recognised in the accounts.

Appendix A-1

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