

Sector View

Automotive

European auto demand accelerates in August, helped notably by favourable calendar effect

	1 M	3 M	6 M	31/12/15
Auto & Parts	-2.5%	7.5%	-3.3%	-15.2%
DJ Stoxx 600	-2.2%	5.6%	-1.8%	-7.5%

*Stoxx Sector Indices

Companies covered

FAURECIA	BUY	EUR47
Last Price	EUR35,52	Market Cap. EUR4,898m
HELLA	BUY	EUR45
Last Price	EUR36,18	Market Cap. EUR4,020m
PLASTIC OMNIUM	BUY	EUR36
Last Price	EUR28,25	Market Cap. EUR4,307m
VALEO	NEUTRAL	EUR49
Last Price	EUR49,4	Market Cap. EUR11,776m



This morning, ACEA posted solid growth figures for the EU PC market, with registrations up 10% at 819.1k units after a 1.4% decline in July and a +6.9% rise in June. Despite being slightly boosted by favourable calendar effect, we view this performance as quite impressive and reassuring. On a YTD basis, the market is up 8.1% ahead of ACEA expectations for the year (+5%) and ahead our estimates (+4.5%), notably due to the high uncertainties linked to UK demand in September following the Brexit.

ANALYSIS

- Demand in August is accelerating compared with June & July:** According to ACEA statistics, the EU PC market posted solid growth figures with registrations up **10%** at **819.1k** units after observing a **1.4%** decline in July and a **+6.9%** rise in June. As a reminder, August is the weakest month of the year in volumes terms due to summer holidays implying this good growth will not alter ACEA's annual expectations for 2016 PC market. By market, the growth in demand was driven by **Italy (+20%)** and **Spain (+14.6%)**, but also by **Germany (+8.3%)** and **France (+6.7%)** while for OEM it was driven by **FCA group (+20.6%)**, by **Daimler & Toyota (+18% each)** and by **Renault group (+14.4%)**. This growth, which seems at first glance quite impressive compared with previous months, can also be explained **notably by a favourable calendar effect (22 business day in most of European countries in August 2016 vs. 21 in August 21)**.
- Market is up 8% in European Union on an YTD basis:** Thanks to this good performance in August, the YTD growth rate for EU is surging to **8.1%** vs. **7.7%** in July, lending weight to the **+5%** ACEA sales forecast for 2016. In our model, we currently stand at **+4.5%** demand growth for the year, lower than ACEA forecast and lower than current YTD market growth, notably due to uncertainties regarding the development potential (or lack thereof) of the UK market in September following the Brexit (an important month for this market given it represents 17% of the annual demand vs. 10% for European market).
- As a reminder, within our BG auto universe, Plastic Omnium** is the supplier that is most exposed to European production when integrating the acquisition of FAE with 59% of its sales being made in Europe, ahead of Hella (54%) and Faurecia post disposal of FAE (49%).

VALUATION

- At current share price, the sector is trading at **12x** its 2017e EBIT & **14x** its 2017e EPS
- We initiate coverage of **Faurecia (FV of EUR47)**, **Plastic Omnium (FV of EUR36)** and **Hella (FV of EUR45)** with **Buy recommendations** and **Valeo (FV of EUR49)** with **Neutral recommendation**.

NEXT CATALYSTS

- 26th September – Renault // Renault Scenic Test Drive
- 28th September – Hella // Q1-16/17 earnings
- 28th September – Valeo // Driving assistance & powertrain electrification presentation

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Analyst :
Xavier Caroen
33(0) 1.56.68.75.18
xcaroen@bryangarnier.com

Research Assistant :
Clément Genelot

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BUY ratings 72%

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
				Regulated by the FINMA

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