

## Sector View

## Car Part Manufacturers

	1 M	3 M	6 M	31/12/15
Auto & Parts	1.1%	19.5%	6.3%	-12.0%
DJ Stoxx 600	-1.8%	6.2%	4.9%	-5.9%

\*Stoxx Sector Indices

## Companies covered

<b>FAURECIA</b>	<b>BUY</b>	<b>EUR47</b>
Last Price	EUR35.33	Market Cap. EUR4,871m
<b>HELLA</b>	<b>BUY</b>	<b>EUR45</b>
Last Price	EUR35.45	Market Cap. EUR3,939m
<b>PLASTIC OMNIUM</b>	<b>BUY</b>	<b>EUR36</b>
Last Price	EUR29.88	Market Cap. EUR4,556m
<b>VALEO</b>	<b>NEUTRAL</b>	<b>EUR49</b>
Last Price	EUR52.44	Market Cap. EUR12,501m



## Limited Brexit impact on auto demand in UK with registrations up 1.6% in September

UK auto association SMMT has unveiled reassuring statistics for UK auto demand in September. The global market was up 1.6% YoY to 470k vehicles driven primarily by commercial fleets (+7.3%) while demand from private households declined by 1.7%. On an YTD basis the market was still up 2.6% making us confident with our 3.5% growth estimate for 2016. Comparison bases in October and November should be more favourable.

## ANALYSIS

- A market up in September, driven by solid demand from professionals:** According to the SMMT figures unveiled yesterday, British automotive registrations (*PC+LCV*) were up **1.6% YoY in September** with **469.7k** registered vehicles on an already tough comparable basis. This growth was mainly **driven by commercial fleets**, as has been the case since Q2 2016, for which demand rose by **7.3%** YoY this month while demand from private households declined by **1.7%**. On a YTD basis, the UK market (*PC+LCV*) was still up **2.6%** with LCV (*commercial fleets and business vehicles*) up **4.5%** as the sole driver and demand for PC stabilising at **+0.4%**. As a reminder, the UK market is historically turned towards the professionals segment representing around **55%** of registrations (*with commercial fleets representing 50-52% of British registrations*).
- More demand for greener vehicles:** The share of diesel engines continued to decline among new registrations but in line with the fall in demand for petrol heat engines. Since January, diesel motorisations have represented **47.6%** of new sold cars (*vs. 48% on the same period in 2015 and 50% in 2014*) while petrol heat engines represented **49.1%** vs. **49.4%** a year ago. These motorisation changeovers were made to the benefit of hybrid/EV models (*3.3% market share since January 2016 vs. 2.7% for similar period in 2015*).
- Strong demand for premium models:** The top three leading OEMs in the market strongly outperformed global demand in September with **Volkswagen** (-4% YoY), **Ford** (-11% YoY) and **GM** (-5% YoY) the worst performers. On the contrary, premium brands performed well with **Daimler** (+17% YoY) and **BMW** (+12% YoY) gaining market share. Even **Audi** (+9% YoY) does not seem to have suffered from the VW emissions scandal. The situation is more mixed among French OEMs, as observed in other European markets. Thanks to a more favourable product mix (*new Scenic, new Megane...*), Renault performed impressively compared with its main French peer PSA (+15% vs. -13% in September YoY, +12% vs. -4% YTD). Citroën is trimming PSA's growth while Dacia is driving Renault's.
- Conclusion:** We still expect the UK market (*PC+LCV*) to gain **3.5%** in 2016 despite a tough summer and the weak growth rate observed in September. The low growth noted during the month proves that at this stage the impact of Brexit remains limited (*+1.6% vs. high single to double-digit percentage decline estimated by business intelligences*), or at least contained to individual buyers. Moreover, the recent removal of some uncertainties linked to Brexit (*activation of EU Article 50 by UK by March 2017, the UK Prime Minister's aim for a maximum trade freedom post-Brexit imply low or no import duties*) should encourage OEMs to maintain their commercial efforts and British consumers not to postpone their vehicle purchases.

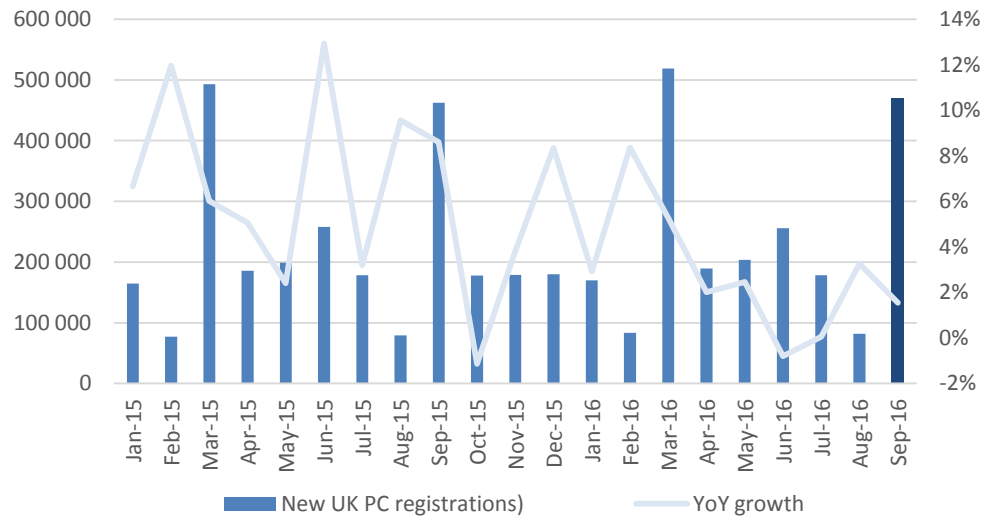
## VALUATION

- At the current share price, the automotive sector is trading at **12x** 2017e EBIT and at **14x** 2017 earnings
- BG Auto Top pick: Faurecia** (*Buy, FV @ EUR47*) and **BG Q4 Top pick: Plastic Omnium** (*Buy, FV @ EUR36*)

### NEXT CATALYSTS

- 13<sup>rd</sup> October – Faurecia // Q3-16 sales
- 20<sup>th</sup> October – Plastic Omnium // Q3-16 sales
- 20<sup>th</sup> October – Valeo // Q3-16 sales

**Chart1:** British PC+LCV monthly market evolution



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