Grant Thornton
An instinct for growth™

Automotive messenger

May 2017

Launching a new model

Welcome to our refreshed format for Automotive Messenger, soon to be renamed 'Automotive Insights' for our Summer edition.

At Grant Thornton, our automotive team is bigger than ever, we have a focus on both upstream and downstream and we are here to support you and your business to succeed in the future.

Automotive Insights reaches nearly a million readers and we look forward to continuing to update you on hot topics over the coming year, as part of Grant Thornton's aim to shape a vibrant economy.

The automotive sector is hugely exciting at the moment, it creates natural change and we are delighted to be a part of it.

Tarun Mistry
Partner

Neil Barrell
Partner

Bill Parfitt CBE
Consultant

Paul Burrows
Director

Owen Edwards
Associate Director

Introduction

A strong start to the year, with Q1 2017 new vehicle registrations once again breaking records – but will this continue into the second half?

New vehicle registrations started 2017 strongly. A robust performance in January was followed by a weaker February, but registrations picked up for the crucial March plate change. We suspect that the increase in volumes over the same period last year is probably attributable to manufacturers putting more vehicles into the market, but also to a change in VED road tax that came in on 1 April.

One major group indicated in February that it would register a number of additional vehicles, enabling its customers to purchase vehicles that had been prior-registered before the VED road tax deadline of 1 April. In mid-March, another group announced that it had received early-registered product and would be selling these to allow customers to avoid paying the VED road tax changes. Therefore, once again the true number of underlying registrations of vehicles in March have been masked by an external factor. This makes it difficult to predict the outlook for registrations in Q2 and the second half of the year.

Passenger vehicle registrations dropped in April by 19.8% year on year (YoY), but putting this is context, YTD 2017 new vehicle registrations were still up 1.1%. YoY for April 2017 vehicle registrations declined by approximately 37,500 vehicles. However, looking at March 2017 (YoY), an additional 48,236 units were registered. We wait for May's new vehicle registrations to get a medium term picture on which direction the market will go. Many pundits at the beginning of the year forecast there will be a drop of 5% in new vehicle registrations for 2017; if this is the case then we need to see a significant drop in vehicle registrations in the remaining quarters of 2017.

European vehicle registrations continued to go from strength to strength with larger European markets experiencing further improvement. Looking ahead, it is likely that the weak £ Sterling and an improving European economy will enable automotive manufacturers to consider switching their focus from the UK to the 13 million-plus European vehicle market in order to continue to grow their vehicle registrations. Consolidation in the market continued. This time, however, the big news was in the up-stream segment of the automotive market, where PSA struck a deal with General Motors to acquire its loss-making Vauxhall and Opel operations. The long-term strategy remains unclear for the Vauxhall and Opel operations, although PSA has indicated that manufacturing of both brands will continue and there will be no decision on Vauxhall's UK manufacturing plants until at least 2020. PSA has indicated that vehicles coming from these General Motors plants will be used to supply the Chinese market where PSA's presence would be enchanced. We expect greater consolidation in the upstream automotive market as the larger manufacturers continue to seek further economies of scale through consolidation. March also saw rumours that Volkswagen might acquire Fiat Chrysler; although this has been dismissed, it indicates an appetite for such deals.

Political tensions remained around the world. Donald Trump continued to push for the automotive makers to build more vehicles in the US. Interest rates in the US were raised by 0.25 percentage points in a bid to control inflationary pressures. Rising rates in the US and expectations of further tightening to come in 2017 caused £ Sterling to weaken initially; however, this was short-lived as £ Sterling rallied with rates rising to 1.24 (£ to US$ w/c 13/03/2017) and more latterly to 1.29.

Closer to home, elections in Holland were eagerly awaited. Amid concerns over a move to the far right in the EU, the Dutch elections were being billed as a something of a litmus test for populism in Europe, particularly in the wake of the Brexit vote. The incumbent centre-right party, led by Mark Rutte, maintained its leadership position albeit eight seats below his 2012 victory. Leader of the far-right Party for Freedom, Geert Wilders, gained a number of seats in the Dutch Parliament but failed to make the gains required to become the dominant party.

There was a sense of relief over Europe with Emmanuel Macron and the En Marche! party being elected into office in France, a much bigger EU test with a strong majority 65.5% of the votes. The right wing party of Marine Le Pen did not perform as well

as expected and this has meant right wing politics is now on the 'back foot' in Europe. The Euro strengthened on the results making the Euro exchange rate fall to 1.18. This weakening is expected to generate further price inflation, effecting vehicles and vehicle parts.

At the end of March, the UK submitted its Article 50 letter to the EU, beginning the official process by which the UK will leave the EU. The exit process is likely to take at least two years and only time will reveal the EU's stance towards the UK. This creates uncertainty, but there has been good news of large investors – such as Qatar – planning to invest £5 billion in the UK economy in the next five years.

There was a surprise announcement of a General Election on the 8 June. With the short timeline there has been little time to take stock.

Teresa May is hoping that calling an election at this time will put the Conservatives in a strong position to negotiate with Europe. However only time will tell whether this will be the case as seen when David Cameron was surprised by the Brexit vote. Even with this political uncertainty across the EU, vehicle registrations remain positive with the UK vehicle registrations exceeding all expectations in Q1 and the majority of the large EU countries seeing strong growth in vehicle registrations.

Full-year results have been announced by most of the PLC automotive retail companies. Despite Brexit-related uncertainties, the share price of most of these companies have held up relatively well, although investors in this retail sub-sector may be looking for higher returns elsewhere in the market. Nevertheless these companies are also showing confidence in the market with good growth in their dividends.

Q1 2017: a record quarter for new vehicle registrations

A stellar March with a month to beat all months – but here comes Q2 and the second half. What's next?

2016 was a year to remember. The number of vehicles registered continued to rise, reaching an all-time high of 2,692,786. This strong growth continued into the first quarter of 2017 with record-breaking registrations. It was to be expected that April would see weakness in vehicle registrations due to the change in VED tax. We will not have a clear indication of whether this weakness will continue until May and the second half of the year.

March was a record month for the industry as the market rose by 8.4% to 562,337 registrations. For the first quarter of the year, the number of vehicles registered was 820,016. This was another new record, representing an increase of 6.25% on the same period last year. As expected, fleet registrations rose strongly by 12.6% in March and by 8.7% in 2017. In the month of March fleet increased its market share to 46.6%, compared with 44.9% the previous year.

There was a surge in consumers looking to purchase the latest low-emission vehicles, with March registrations of alternative fuel vehicles increasing by 31.0%. Both petrol and diesel vehicles saw an increase in registrations, despite further bad press for diesel alongside threats that the Government and local authorities might introduce city pollution zones into some of the UK's larger cities by 2019. We are seeing an increased interest from Government and local authorities to set an example and this will be led by London with all new taxis sold after Q4 2017 having to be zero emission capable for 30 miles.

As usual, we reviewed the market share of the top three German premium brands: Audi, BMW and Mercedes-Benz. There was strong growth from Mercedes-Benz, which rose by 16.08% YTD 2017 and by 18.1% in the month of March YoY, and this brand continues to surge ahead with a market share of 6.69% YTD 2017. Of the premium brands, Audi's performance was less inspiring with YTD 2017 growth of less than 1% in registrations. In aggregate, all three brands held 19.6% of total registrations in the UK market at the end of 2016. In the YTD 2017, this has, however, dropped to 18.5%, but was still ahead of the same period in 2016. We will watch this ever key trend.

Another strong performer in the premium segment of the market was Jaguar which saw a strong increase with growth of 51.31% YTD 2017. Clearly the F Pace is starting to gain traction in the market and with the release of other new vehicles in the SUV/crossover segment in coming months, further growth is expected from this segment. Land Rover also had a 23.31% increase in YTD 2017 growth.

In the volume market, Ford (+11.32%) continued to make market gains, as did Kia (+22.94%), Nissan (+21.68%), SEAT (+25.33%), and Suzuki (+20.84%): all had above 20% registration growth YTD 2017. The poorer performers in the volume segment of the market were Vauxhall, which saw its vehicle registrations decline by 11.06% YTD 2017. Some of this decline may be attributable to the recent announcement of PSA's acquisition of Opel and Vauxhall noting also significant falls for both Peugeot and Citroen (subject to DS). Volkswagen continued to experience growth at 4.06% YTD 2017 and we believe that the brand has renewed ambition and will build on this.

The best-selling vehicle was once again the Ford Fiesta, followed by the Ford Focus and Vauxhall Corsa. Interestingly, of the top ten vehicles registered in the UK, the Mercedes-Benz C Class was the only representative of the premium brands. Audi has now dropped out of the top ten.

Commercial vehicles

The Light Commercial Vehicle (CV <3.5t) market declined slightly in March, falling by -0.93% and -0.95% YTD 2017 (Jan to Mar). This decline in demand may be attributed to concerns over the outlook for the UK economy on the back of Brexit. Of the top-ten selling brands in the LCV market, Ford continued to grow, rising by 3.31% YTD 2017, as did Volkswagen with an increase of 13.65% YTD 2017. This was a strong result that was helped by very robust growth in unit registrations of 24.71% in the month of March. Volume registrations of Peugeot, Vauxhall and Citroen declined by 10.04%, 19.97% and 12.27% respectively YTD 2017. Ford continued to hold leading market share with 32.83%, supported by the Ford Transit Custom which registered 15,267 vehicles in YTD 2017.

FLA motor financing

The FLA provided the latest figures for new business and consumer financing for February. YTD February 2017 total FLA motor finance by volume increased by 4.3%. New vehicle financing was flat year on year, while used vehicles increased by 4.2%, indicating that the used vehicle finance market still remains in a growth phase, while new vehicles has slowed. However the strength of vehicle financing remains unclear until the all-important March data has been released.

FLA total PCP motor financing increased by 10.9% February 2017 YTD, new vehicle PCP financing increased by 5.3% and used vehicles once again performed strongly, up 18.8%. Both the new and used vehicles market continued to be driven by PCP.

Aston Martin: a century of power, beauty, soul and an iconic brand

Over a century of vehicle racing and production has created a solid foundation for the next 100 years

A guest article in conjunction with Aston Martin

History

Aston Martin was founded in 1913 by Robert Bamford and Lionel Martin as Bamford and Martin. The iconic name of Aston Martin did not appear until 1914. The first Aston Martin production vehicle was built and registered from its workshop in Chelsea in 1915.

In common with many small businesses, Aston Martin's early years were not easy. Having closed in 1925 due to financial problems, Aston Martin was purchased in 1926 by a group of investors and renamed Aston Martin Motors Limited. By 1928, the company had its first success at the Le Man 24 hour race. Aston Martin continued to race and build production vehicles and by 1937, 140 vehicles were being built every year – no small feat for this exclusive brand.

David Brown acquired the company in 1947 and, from this point, the factory was relocated to Feltham, the Lagonda brand (which predates Aston Martin having been established in 1906) was purchased and the birth of the DB model range began with the DB2. In 1955, production moved to Newport Pagnell starting with the DB2/4 MkII. DB4, DB5 and DB6 vehicles were built there between 1958 and 1970.

The 1970s saw a change of ownership

Company Developments Limited took over in 1972 and the Aston Martin V8 entered production. In 1975 the Lagonda brand – which had largely been forgotten – was revitalised. Throughout the 1970 and 1980s, the company underwent several changes in ownership with Ford eventually taking full ownership of Aston Martin in 1993. Between the 1970s and early 1990s, a number of models were launched, including the V8 and Virage series. The DB moniker resurrected in 1993 with the DB7. The last vehicle to be built at Newport Pagnell was the V12 Vanquish from 2001 to 2007.

In 2003, Aston Martin opened its new headquarters in Gaydon, the firm's first purpose-built factory. The launch of the DB9 was followed by the Vantage, DBS and Vanquish. Aston Martin returned to the race track in 2005 and, in the same year, the company reached the production milestone of 30,000 vehicles cumulative.

Ford sold Aston Martin in 2007 to consortium Investment Dar and Adeem Investment. In the same year, a new design studio was opened at Gaydon. 2009 was one of the most active years for Aston Martin with the launch of a large number of models: the V12 Vantage, Rapide and One-77, to name but three.

The company achieved its centenary in 2013 and, in the celebration of that milestone, the CC100 concept car was released. In 2014, Dr Andrew Palmer joined Aston Martin to take the business into its next century. Building on the renowned DB model range, the DB11 was launched in 2016, providing Aston Martin with it current line-up: Vantage S, DB11, Rapide S and Vanquish S.

The Second Century Plan

Aston Martin's Second Century Plan (SCP) started in 2015. The SCP was designed to be rolled out in three stages over seven years, from 2015 to 2021:

Stage one: stabilisation – to be undertaken in the first two years of the seven-year plan. This is nearing completion.

Stage two: core strengthening – to support the production of new products. This includes the establishment of Aston Martin's new factory in Wales.

images provided by Aston Martin

Stage three: portfolio expansion – expanding into new products and market segment areas such as DBX (SUV). Across these three stages of the business plan, there are six key areas of focus:

1. **Profitability** – exceeding the financial targets through improved revenue, efficiency and productivity
2. **Organisation** – producing vehicles in a lean production process
3. **Product** – investing in the second generation of sports cars; delivering new special project vehicles
4. **Quality** – establishing a cross-functional Total Customer Satisfaction approach to quality
5. **Sales** – strengthening regional teams and growing the global dealer network
6. **Marketing** – increasing brand exposure through new products, partnerships and global events

A number of new vehicles have been – or will be – launched as this strategy unfolds. The DB11 was launched in October 2016; the Vantage is expected to be revealed by the end of 2017 followed by the replacement for the Vanquish in 2018. Specialist vehicles such as the Vanquish Zagato, DB4 GT continuation, GT12 and Vulcan have been released annually since 2015. The Aston Martin Valkyrie hypercar project in collaboration with the Red Bull Formula One team will be delivered to the first customers in 2019.

By the end of 2019, the new plant in Wales will be producing a new model of vehicle for Aston Martin: an SUV based on the DBX concept. This will be Aston Martin's first foray into the SUV market and is intended to give the company access to new customers and markets, and will be a key driver of growth in the latter stages of the business plan.

Alongside Aston Martin's long-term future strategy, the company remains committed to its heritage. The Lagonda brand will be relaunched in 2021, recreating a brand and vehicles that will compete with Rolls Royce and Bentley. In April 2017, Aston Martin successfully issued a £530m bond to refinance its existing debt and support the SCP. The debt is issued for five years.

Distribution and retail

The company's distribution business is split into six regions:

1. Americas, which includes North, Central and South America
2. United Kingdom
3. Europe
4. Middle East and India
5. APAC (ex-China)
6. China

The strategy around the growth and development of this area of the business is to strengthen the global distribution and retail network. Development of the UK network has already taken place: new investors have been introduced and the business has been realigned to deliver consistent global standards of sales and service quality. Recent key openings in the UK include Aston Martin Bristol, owned by the Dick Lovett Group.

Most of Aston Martin's dealership points are part of multi-franchise operations, sharing a site or showroom with another luxury brand. The team at Aston Martin is pragmatic: where there is market size to accommodate a standalone site, one will be constructed.

Globally, the business has 165 dealer points, with more to follow. In the UK, most of the restructuring has been completed, although there will be a new dealership opening in Nottingham later in 2017.

Looking to the future

The outlook for Aston Martin is positive, backed by over 100 years of vehicle production, motor racing, the restructuring of the Group's debt and the Second Century Plan. Looking ahead, Aston Martin's strategy is to launch a number of new vehicles, broadening the reach of the brands to new customers and markets, increasing the Group's geographic locations, and re-introducing the iconic Lagonda brand.

A1 AML

Trading performance by PLCs remains robust

The PLCs delivered a strong performance at the full year and pre-close results period

Share price performance of the quoted automotive retailing companies has been patchy since the announcement of Brexit (see chart), falling from January 2016 levels, but becoming more stable recently. Although the companies' share prices enjoyed some short-term upside, this can be associated primarily with acquisitions and consolidation in the market – for example, the large jump in Marshall Motor Holdings Plc's share price in May 2016 when Ridgway was acquired and then its subsequent share price fall with the Brexit announcement.

Pendragon Plc

Underlying operating profits of the business in 2016 were broadly in line with those of 2015 at £101.2 million. Financing expenses once again declined as Pendragon continued to pay down more of its debt, with finance expenses declining year on year by 16.5%. Therefore underlying profit before tax for the full year 2016 was higher than 2015 by 6.0%.

Stratstone like-for-like (L4L) revenue increased by 6.0%, however the gross profit of this division was up only 1.7% due to a decline in new vehicle margins. Stratstone's used vehicles grew strongly with a 10% improvement in L4L gross profits. Total operating profits for the Stratstone business declined L4L by -14.2%. Evans Halshaw's performance continued to improve with total operating profits up 7.2%. Looking into this division in more detail, new vehicles sales declined by 4.9% L4L. Interestingly, however, new gross profits rose strongly by 8.2% and there was an increase of almost 1% percentage point (ppt) in new vehicle gross margins.

The reason for such an improvement was not clear from the results. Used vehicle performance was robust with a 10.2% increase in used vehicle revenue. Used vehicle gross profits L4L increased by 3.9%. However gross margins declined by 0.6% PPT. The performance of the other Pendragon business – USA Motor Group – was strong, aided by the exchange rate. The Group is looking for opportunities to grow its presence in the US.

Pinewood, the Group's IT/Software business, performed well, as did its leasing business. L4L profits at parts vehicle wholesale business Quickco fell by -27.8% YoY. With debt at a manageable level, management has indicated that it is prepared for further acquisitions and has been in the market seeking opportunities, although values have as yet been too high.

Pendragon's focus for the coming year is on the used vehicle market. Its aspirations are to double its revenue in this area over the next five years. Gross margin growth is expected in new vehicle markets in 2017, and the used vehicle market and aftersales will continue to contribute to the Group's future underlying organic growth.

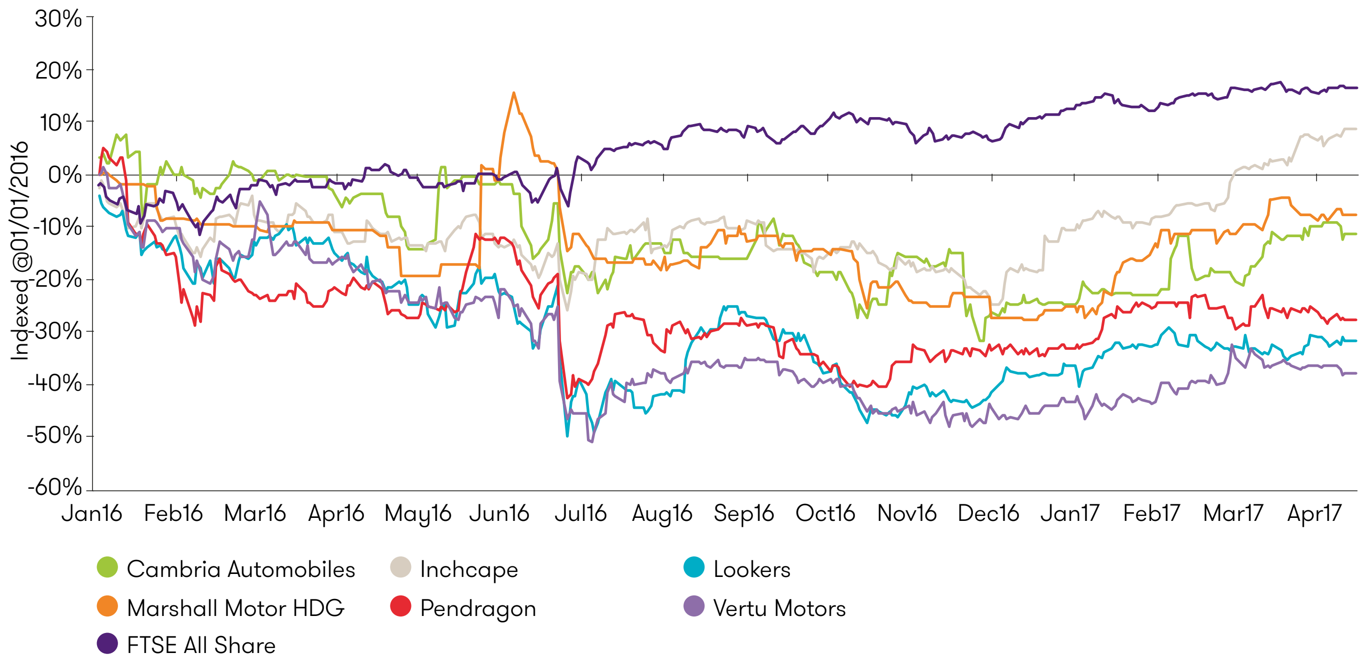
Inchcape Plc

Much like Pendragon Plc, growth in Inchcape's UK business is focused on the used vehicle market and aftersales. The UK and European business delivered revenue of £4.0 billion, which was up 11.9% at constant currency on last year. However there is no information provided on new vehicle gross profit margins. Used vehicle volumes increased by 15% and margins expanded; again, however, there was no indication of the gross profit margins for used vehicles.

Outside the UK, Inchcape continued with its acquisition of Thailand JLR distribution. The other main acquisition was from Empresas Indumotora Group in South America. This increased the Group's exposure to the markets of Chile and Peru – where Inchcape has BMW and Rolls Royce distribution and retail – and a number of other South American countries. The acquisition in South America added to the Group's exposure to Subaru and Hino brands. The total consideration on a cash and debt-free basis was £234 million, which was 8.6× EBITDA.

The Asian business experienced challenging trading conditions in Hong Kong, while the business in Singapore continued to perform strongly, especially in the first half of the year.
The Group's Australian segment delivered a resilient performance that offset the impact of significant transactional

Share price performance of quoted automotive retail companies



currency pressure as the Australian Dollar weakened against the Japanese Yen, which impacted the cost of Subaru vehicles. Europe has continued to improve, with the Greek market up 3.7% after many years of underperformance and poor economic conditions. The other Central European and Eastern European businesses performed well.

Emerging markets, which includes Ethiopia, Russia and South America, saw strong performance with double-digit sales and profits growth.

Vertu Motors Plc

Vertu Motors Plc provided a pre-close trading update on 1 March in preparation for its February year-end. The Group continued to see growth in the five months ending January 2017 with an increase in volumes, revenues and profits. On a L4L basis, Group revenues increased by 4.8%. New Group total retail vehicle L4L volumes declined by 9.3%; however this revenue decline was partly offset by an improvement in the gross margins, from 7.9% to 8.0%.

As with the other quoted automotive retailers, used vehicles performed well, augmented by a volume supply of vehicles. Gross margins in this business increased to 10.1%, up from 9.9% for 2016. Aftersales focus increased with continued improvement in customer retention. This improvement was generated through the selling of service plans and enhancement of the customer experience. The aftersales operation profits grew by 6.9%.

Lookers Plc

2016 was a year of change for Lookers Plc. The Group sold its parts distribution business in order to acquire a number of motor retailing business, resulting in the successful acquisition of Drayton Mercedes-Benz and its first BMW franchise: Knights BMW/Mini. The business continued to invest in its multi-channel customer experience, especially its website, which has significantly increased enquiries and visitors. A new website is to be launched in 2017.

The Motors Division performed well with new vehicle sales increasing L4L by 10%. Strong growth in the new vehicle business was achieved by focusing on quality fleet business. Although fleet margins are generally lower, this focus has enabled the gross margins of the new vehicle business to increase by 11% YoY. During the first six months of the year, conditions were favourable; however, trading was less buoyant in the second half of the year. Used vehicle volumes

continued to perform well, rising by 7% on a L4L basis. This improvement in the business can be attributed to the increase in the used vehicle stock management and sourcing of quality used vehicles. Management believes that used vehicles could represent a significant opportunity for the Group.

The aftersales operations saw an improvement in gross profits and gross profit margins. Gross profit on a L4L basis increased by 9% over 2015 figures. An emphasis on aftersales customer service has improved customer retention and loyalty.

Lookers has been focusing on the customer experience and this will continue over the next three years with an increase in investment in this area of the business. The company is going to make significant investment in the multi-channel customer experience. The internet and web strategy will play a large part in this.

Overall performance for Lookers Plc was good with record profits. Revenue increased by 17.3% YoY and profit before tax increased by 46.1% to £91.8 million, but this included £12.2 million from discontinued operating profits.

Marshall Motor Holdings Plc

Revenue increased by 54.1% and underlying profits before tax increased by 60.4%; however, there is the acquisition of Ridgeway to take into consideration. The full year dividend increased to 5.50p, rising by 84.6% from 2015's pro-rata 2.98p. During the year, new vehicle unit sales increased by 5.5% L4L, compared with an increase in UK total new vehicle registrations of 2.3%. The second half of the year was generally tougher with total UK new vehicle registrations only increasing by 1.2% whereas growth of new vehicle sales from Marshall Motor Holdings Plc was 8.1%. PCP with minimum or zero deposit requirement and affordable monthly payments remained the key drivers in sales growth.

Used vehicle units increased L4L sales by 0.4%. There was a higher average price per unit and a greater emphasis on premium vehicles increased L4L used vehicles revenues by 8.3%.

L4L aftersales revenue increased by 5.7%. The business now operates five standalone body shops, five trade parts centres and one PDI centre. The gross margins of the aftersales business increased from 44.5% to 45.6% in 2016.
The leasing operation increased the fleet marginally by 163 vehicles or 2.7% YoY. The leasing division performed strongly with profit before tax of £4.9 million.

The business has net debt of £54.5 million, compared with the previous year's level of £24.1 million net cash; however this cash resulted from the IPO of Marshall Motor Holdings Plc on the London Stock Exchange, while the move to a net debt position can be partly attributed to the £106.9 million acquisition of Ridgeway.

Cambria Automotive Plc

Cambria Automotive Plc announced its pre-close trading update on 7 March as the company's year-end is February. The Group's first five months trading of the current financial year have been substantially ahead of the corresponding period in 2015/16, both on a L4L and total basis.

Snippets

Article 50 is triggered

The long wait for the inevitable is over and we are now in the two-year period before the UK leaves the EU. What can be assumed to happen to the automotive industry? The answer is most definitely that 'it depends'. The real answers will only come once the negotiations on trade deals conclude and that is likely to be some way off.

What has been interesting has been the monthly automotive production data for both January and February 2017. The raw data shows that in January there were 147, 922 vehicles produced in the UK, of which 80% went to export. In February, 153,041 vehicles were produced and 13% more went to export. The exchange rate has played its part, making exports cheaper but future concerns over Brexit pose a threat.

BMW has already said it is reviewing its factories in the UK ahead of Brexit and that it has the flexibility to move production elsewhere if necessary. The SMMT is pushing hard to avoid barriers to trade, but with hard Brexit as the chosen route, who knows where the negotiations will end up?

The level of complexity increases because a large proportion of UK production uses components that are imported – potential trade barriers could equally be the trigger for some UK exodus or a better result if the supply change is improved. It is telling that investment spend by vehicle manufacturers has declined from £2.5 billion in 2015 to £1.66 billion in 2016, a fall attributed to the delay of non-essential decisions caused by the Brexit result. The first test of all this might be PSA and the two UK Vauxhall plants – where to produce for Europe and the world are seemingly in the melting pot once again.

Product wars – the key to success

The battleground for selling vehicles is fierce and recent headlines highlight one such private battle between BMW and Mercedes, two of the big three German premium OEMs. Data collated by ACEA shows that Mercedes overtook BMW in Europe (defined as the EU only) registering 807,336 units in 2016, versus BMW at 784,395 – not a big difference, but symbolically a change in volume order thus stimulating BMW to reply. Even using our preferred metric of EU+EFTA countries, the same positions and change apply.

BMW will have 40 new or refreshed vehicles launched by the end of 2018; an astonishing volume. Just for reference, Audi, the third member of the big three German premium OEMs, registered 803,520 units in 2016 in the EU – and that means BMW comes third, not a place it wishes to remain. BMW CEO Harald Kruger is quoted using phrases such as "biggest model offensive ever" and there was a "suite of criteria defining the number one position" which reflect just how important being number one is to the OEMs.

But this is not the only story. One analyst suggested BMW was at a "weak point in the product cycle". The reality is, it is impacting the ability to constantly innovate and launch new products to discerning customers. Facelift cycles may be shortening and premium brands are hooked on product derivation, but where does this leave the volume players?

The PSA and Opel deal must be predicated around solving some of these issues: production and platform congruence to save cost; facilitating more product variation; and keeping the customer interested. Another example is Volkswagen – towards the end of March, the Group came back to the financial Bonds market and was an instant success – the €8 billion bond attracted €24 billion of orders on the first day! Clearly VW is trying to restore its image and no doubt monies will be used to generate more product and innovation, Audi included.

Then we see Geely, which gambled on the SUV market, rolling out three plus models to hit the China market and seeing volumes overall up 50% and stating the SUV models "were the key drivers". The China market is noted to be quite different away from the three big

cities (Beijing, Shanghai and Shenzhen), where buyers are seemingly less concerned about traffic congestion and favour larger, roomier vehicles. The Volvo purchase must have given Geely a lot of benefits in terms of designing to meet consumers' tastes.

So we can only draw one conclusion: new products and driving momentum are crucial. This needs huge amounts of cash but without the correct business model, consumers will turn to competitors. Ultimately, product wars are here to stay.

Life at Uber is getting more challenging – when the disrupter suffers disruption!

After a relentless upward trajectory over recent years, leading significant change in the personal transport space and cementing the credentials for ride-sharing firmly on the map, the inevitable pun has come along and questions are being asked as to whether the 'wheels have come off' the Uber model?

2017 has not, to date, been the greatest year for Uber with: high profile senior departures; Lyft surging past in terms of iPhone downloads during January (allegedly down to CEO Travis Kalanick's tie to the Trump Administration); announcing in February it was pausing its Taiwan service due to the Government wishing to see them register as a taxi company (Uber say they are not a taxi company); seeing a rival emerge in southeast Asia (Grab is reputedly that region's best funded technology start-up, investing $700m in in Indonesia including a new research and development centre); seeing Lyft then announce in March it was seeking to raise $500m to give it more capacity to expand; building on its 'nice guy' reputation as a distinguishing feature leading neatly to Kalanick's infamous YouTube featured battle with one of his own drivers; and then autonomous vehicle crashes and the suspension of testing. Not pretty.

Being a disruptor is generally a great place to be – until you get cloned and then the chase begins. Being first out of the blocks can be fabulous, but every error falls one hundred percent on you and rivals can neatly side-step them.

It is the law of the commercial jungle and it seems Q1 of 2017 has brought many issues to exacerbate the challenge to Uber. There are major disadvantages to taking an overly aggressive stance, and while no one is doubting the business model and its achievements to date, we are sure that Uber will begin a more conciliatory period in its development and bring its undoubted success back in to perspective and calmer waters.

Where to now for Volkswagen and the emissions story?

Some might argue that we are now seeing the tail-end of the emissions issue, with VW having suffered a $21.8 billion total cost in fines, remediation and a criminal settlement. As we covered in our last edition, VW is still Europe's leading vehicle seller – by some distance.

We have seen mixed news around the emission's issue, although definitely less commentary in the press, so perhaps normality is returning for VW? January saw the news that Luxembourg's National Pension Fund had blacklisted VW because of the issue late in 2016, and followed a similar Nordic asset management announcement. Meanwhile, European consumer actions continue to try to gain the sort of compensation seen in the US (complicated by VW's assertion that the technology did not violate EU regulations) and in February Bosch agreed to pay $327m to resolve allegations in the US that it played a significant role in the emissions scandal.

Life is not easy for Volkswagen but it was clearly self-inflicted. It has also recently settled $157 million in environmental claims brought by ten US States. Much like the Uber comments above, when a brand gets a sense of strength, the lines of engagement can be blurred. We hope now that VW returns to only positive news and delights both consumers and dealers alike with iconic new product and an unfailing devotion to new technology to change the shape

of auto for the better. One of its clan, Audi, recently announced it is seeking to buy premium US vehicle rental service Silvercar – desirable software is cited as a key deal driver for Audi, illustrating how broad a view any OEM has to take these days in the race for position.

Electric and autonomous

A number of our snippets this edition have a common thread and this one is no exception. Back in January, Shell announced it was planning to install electric charging points in some of its European petrol stations. It appears the UK and Netherlands, in other words home turf, will see the first. Total appears to be considering a similar strategy. The phrases 'turkeys for Christmas' and 'if you can't beat them, join them' instantly spring to mind, but there is a science behind all this. Experts say a half-hour stop is what is required – think what having a captive customer on the forecourt means? Shell is also looking at hydrogen power and sees itself as being part of the "energy transition", a very pleasing-to-the-ear phrase.

Meanwhile, in the world of autonomous driving, Alphabet (Apple's parent) has gained kudos from Californian Regulator data showing that its Waymo driverless unit logged 30 times more miles of testing than all of its competitors combined and that its vehicles were the most accurate, with human intervention needed for safety reasons only 0.2 times per thousand miles! This has to be taken with some caution as not all vehicles get tested in California or under similar conditions. One journalist noted recently that "self driving cars… will be programmed and maintained by coder armies… Can we be sure they will always be properly motivated?"

Back to electric and South Korea is nailing its colours to the electric mast, seeking 250,000 electric vehicles on the road by 2020. It appears Hyundai for one agrees, or at least the head of Genesis, the Hyundai luxury brand. Nonetheless, the evidence is apparent – Hyundai last year launched the Ioniq, a mass-produced electric vehicle. The South Korean Government is offering generous subsidies and a programme to improve the country's charge point infrastructure. GM's Bolt vehicle rolls out next month and it has two advantages – a 400km range and plenty of the local LG components. Local pundits are waiting for Tesla to arrive in Seoul – as the secretary-general at the Korea Electric Vehicle Association has commented "customers seem to be attracted to Tesla's sleek design. A Tesla is like a smartphone on wheels".

But inevitably, the final word on electric goes to the Chinese. Electric needs batteries and China is going for broke. CATL is its fastest growing battery maker and is building up to overtake the Nevada gigafactory, the Tesla and Panasonic joint venture opened in January of this year. Beijing is craving huge growth in electric vehicle battery capacity – and wants its companies to invest in factories overseas. BYD is a great example we have previously headlined, which is the world's largest electric vehicle and bus maker and 25% owned by Berkshire Hathaway.

Consultants are predicting a strategy to squeeze competition by lowering costs and driving down prices. One fund manager mused that "the Japanese invent it, the Koreans look to expand and build it out and the Chinese end up dominating it". A helping hand from legislation designed to favour home producers gets thrown in to help massively. One commentator calls it "licencing procedures to hold foreign companies at bay". The Chinese have also acquired significantly in mining assets to access the raw materials needed – a smart move which links high class technology back to mother earth and all that entails.

The UK's underdogs – McLaren, Aston Martin and Lotus

Great British cars have been doing well of late. Both McLaren and Lotus have featured in previous editions of this newsletter, Aston Martin in this one, and all have great plans for the future. Being unique and having an appeal all of your own is fashionable once more, take a look at Tesla for example – yes pioneering, but also attracting style marks along the way. Lotus appears to

have set itself on the right path again under the command of Jean Marc-Gales despite the turbulence at its parent company, Proton, itself part of the DRB-Hicom Malaysian group which is listed in Kuala Lumpar and has been seeking a foreign strategic partner to help it expand its range of products and the quality of its vehicles – DRB is a conglomerate business.

Lotus sells engineering services to other OEMs and has a strong reputation in the sports car arena – unfortunately, monetising this has proved somewhat tougher and the company remained loss making in 2016, albeit the trend appears to be in the right direction. Global success is crucial.

Proton meanwhile has a valuable asset – a Malaysian production facility capable of manufacturing over half a million vehicles a year of right-hand drive product. Evidently there are over 8 million right-hand drive vehicles sold around India, Pakistan and Bangladesh. Geely has agreed to acquire a 49.9% stake in Malaysian manufacturer Proton. What that does for Lotus remains to be seen.

Meanwhile, Mclaren Automotive continues to hand-craft more vehicles than ever, reported now to be 90 a week, double a year ago and on track towards the goal of 5,000 per annum. McLaren makes a profit, a very big difference to Lotus and with more scale and a different market. The view is that McLaren is now a fully-fledged car company and has a sustainable future. Autonomous does not feature in the glossary of McLaren terms; as the CEO said, "what would be the point?". That their cars are meant to be a driving experience is undeniable, but they are still subject to changes in future trends.

Finally, Aston Martin has recently launched a £530 million bond offering to refinance existing debt. This comes hard on the heels of launching the new DB11 model and a sports utility vehicle is in the offing. We will let the piece in this edition speak for itself!

The art of selling vehicles

The number of vehicles in the UK is getting larger as every year passes, fuelled by new vehicle registrations and a very accommodating used vehicle market, seemingly soaking up everything that can be thrown at it. So when you take a step back, what media can be useful in supporting why this is happening?

The January registrations showed a 2.9% rise and the highest level for that month since 2005. 2016 was a record year and there was a general prediction of around 5% down for 2017, clearly there is still time for this to happen. Maybe the new Vehicle Tax rules are creating a small bubble, maybe not, only time will tell.
A few days after the registration data was published, our largest motor retail group, Pendragon, was quoted as saying they were confident that easy access to consumer finance will prevent any short-term declines in the market. This was headlined as "UK car sales have yet to reach a peak", thus assuming the January increase continues. In that number, the sales to private customers increased by 5%, no doubt creating Pendragon's more optimistic outlook. Pendragon announced in its 2016 year end results, it had seen stronger growth in used (and aftersales) businesses.

Last year, Motorpoint listed on the London Stock Exchange, claimed to be the largest UK car dealer not tied to a car company. It started trading at a big earnings multiple and the confidence in the market surrounding a used car operator has to be further evidence that all routes to market for the motor vehicle are seen in a very positive (investment) light.

But what of routes outside strict new and used vehicle sales? PE houses are often a bell-weather of a sector and its future potential. In January, it was announced that HG Capital had sold its vehicle leasing business, Zenith, to Bridgepoint for £750 million, a near tripling of a return we understand on its original investment in Leasedrive and then Zenith. Bridgepoint are quoted as saying that "the UK Fleet services market is a large, growing and resilient market". Bridgepoint also commented that "the

business can continue its impressive growth trajectory through its continued focus on customer service, technology and targeted acquisition activity" which is classic strategic plan parlance for 'we intend to build for a great return' – and who would disagree?

In February, SocGen the global bank, announced plans to float off their massive vehicle leasing business, ALD. It has evidently been a stellar performer and has a broad customer and supplier base, which markets seem to appreciate. Concerns have been raised about used vehicle values, quite rightly, but the shares may well benefit from scarcity value, there being no other directly comparable listed companies in Europe. Being independent gives ALD room to dabble with autonomous and connected product, the fashion everybody wants. So we have massive amounts of positivity in the new vehicle market, the used vehicle market and the leasing market which fundamentally acts as a bridge between the two.

Perhaps the art of selling vehicles is now much more in the nature of a science; little changes here and there and some strong fundamentals are thrown in for good measure. The vehicle is sexy again and investors are not shy in coming forward to take a share. More will undoubtedly follow as services globalise and markets become more uniform, much to the delight of the OEMs. Innovation and disruption may become more aligned, but behind it all, the attraction to churning out volume and headline numbers remains.

Tesla out-performs, Ford invests – who is the biggest?

Despite production issues in 2016, Tesla has announced it has delivered 25,000 vehicles in Q1 of 2017, higher than analysts expected. The new Model 3 is due to start production in July of this year – this is a 'mass-market' vehicle priced at around $35,000. Good news pervades and quietly we see a new investor – Tencent of Chinese origin, taking 5% and becoming the fifth biggest shareholder in Tesla.

Tencent owns WeChat, yet again deepening the overlap of new technology and old industry. Tencent has stated that "The Tesla investment is pretty consistent with the evolution of Tencent… the Tesla investment could help us create a connected vehicle that can use third-party services in WeChat, including calling contacts and paying for gas".

More fascinating was the news in early April that Tesla market value exceeded that of Ford – more evidence of the new world in automotive? Ford thinks not and is responding hard. In late March, Ford announced it was investing $1.2 billion across three Michigan sites. While this is traditional 'rust belt' money, Ford has its finger in a number of future pies including autonomous and drive share. It has one eye on the future and another on the current. The global market for new, 'regular' vehicles is still approaching 80 million after all!

Registrations of new passenger vehicles

Relentless records defy predictions

The UK market once again saw record highs for new vehicle registrations for the month of March and YTD 2017. The market increased YTD by 6.25% and another record tumbled with 820,016 vehicles registered in Q1 2017. However the question is: will this continue into Q2 and the second half of the year with rising vehicle prices and the introduction of the new VED road tax on 1st April?

The German premium segment of the market (Audi, BMW and Mercedes-Benz) saw a rise in market share to 18.5% for Q1 2017, up on the previous year, which was 18.1%. Audi saw its market share fall to 5.8%. Mercedes-Benz continued its push for more market share, increasing its share to 6.7% and growing its units registered by 16.1% YoY. Reviewing the three German brands and JLR, their market share as a total YTD has increased from 22.4% in 2016 to 23.7% in 2017 indicating that the premium brands continue to gain market share in the UK. Comparing this to the two largest volume players in the market, Ford increased its market share to 12.7%, with unit registration up by 11.3%. This offset the fall in Vauxhall registrations, which were down 11.0% YoY.

The reason for Vauxhall's sharp decline is unclear; however, it is possible that consumers might be thinking twice about purchasing a Vauxhall following the news of PSA's acquisition of the Vauxhall and Opel brands. Volkswagen continued to increase the number of units registered, up by 4.1%.

Nissan continues to perform strongly: YTD March 2017 saw an increase of 21.7% compared to the same period in 2016. We believe that this was due to high targets set by the manufacturer. Citroen and DS have seen a decline in YTD registrations, with a large fall of -39.2% for DS with its market share falling from 0.68% in 2016 to 0.39% YTD 2017, caused by the run out of a number of models.

Jaguar continued to perform strongly with registrations up YoY by 51.3%; the F-Pace continues to sell well and new vehicle launches are expected to support growth in the brand over the next few years.

A decline in diesel vehicles was to be expected in the wake of recent bad publicity and these expectations were fulfilled. Diesel vehicle registrations fell by -1.0% YoY, while petrol vehicles rose to offset this with an 11.5% increase in registrations.

Alternative Fuel Vehicles (AFV) continued their strong growth. This remains a relatively small sector of the market. AFV increased by 29.9% YoY, with market share of 4.1%.

Q1 2017: Market share

Mercedes-Benz
6.7%

Ford
12.7%

Jaguar
1.6%

Citroën
2.6%

Volkswagen
7.3%

UK New Vehicle Registrations for Three Months to March 2017 (YTD)

	YTD March 2017		YTD March 2016		2017/2016	FY2016		FY2015		FY2014		FY2013	
Brand	Units	Share (%)	Units	Share (%)	% Change	Units	Share (%)	Units	Share (%)	Units	Share (%)	Units	Share (%)
Ford	104,524	12.7%	93,897	12.2%	11.3%	318,316	11.8%	335,267	12.7%	326,643	13.2%	310,865	13.7%
Vauxhall	66,733	8.1%	75,032	9.7%	-11.1%	250,955	9.3%	269,766	10.2%	269,177	10.9%	259,444	11.5%
Volkswagen	59,778	7.3%	57,443	7.4%	4.1%	207,028	7.7%	223,784	8.5%	214,828	8.7%	194,085	8.6%
Mercedes-Benz	54,837	6.7%	47,239	6.1%	16.1%	169,828	6.3%	145,254	5.5%	124,419	5.0%	109,456	4.8%
Nissan	53,350	6.5%	43,843	5.7%	21.7%	152,525	5.7%	153,937	5.8%	138,338	5.6%	117,967	5.2%
BMW	49,481	6.0%	46,495	6.0%	6.4%	182,593	6.8%	167,391	6.4%	148,878	6.0%	135,583	6.0%
Audi	47,780	5.8%	47,380	6.1%	0.8%	177,304	6.6%	166,709	6.3%	158,987	6.4%	142,040	6.3%
Toyota	35,039	4.3%	30,788	4.0%	13.8%	96,746	3.6%	98,709	3.7%	94,012	3.8%	88,648	3.9%
Land Rover	29,739	3.6%	24,118	3.1%	23.3%	79,534	3.0%	66,574	2.5%	56,200	2.3%	54,699	2.4%
Kia	29,705	3.6%	24,162	3.1%	22.9%	89,364	3.3%	78,489	3.0%	77,525	3.1%	72,090	3.2%
Peugeot	28,393	3.5%	30,991	4.0%	-8.4%	98,529	3.7%	104,249	4.0%	103,566	4.2%	105,435	4.7%
Hyundai	27,856	3.4%	25,368	3.3%	9.8%	92,419	3.4%	88,117	3.3%	81,986	3.3%	76,918	3.4%
Renault	25,126	3.1%	23,959	3.1%	4.9%	85,102	3.2%	75,618	2.9%	66,334	2.7%	46,173	2.0%
Skoda	22,322	2.7%	20,422	2.6%	9.3%	80,372	3.0%	74,692	2.8%	75,488	3.0%	66,081	2.9%
Citroen	21,558	2.6%	26,638	3.5%	-19.1%	78,889	2.9%	88,626	3.4%	83,397	3.4%	78,358	3.5%
MINI	17,267	2.1%	16,178	2.1%	6.7%	68,984	2.6%	63,581	2.4%	53,661	2.2%	51,933	2.3%
Honda	17,771	2.2%	19,709	2.6%	-9.8%	59,106	2.2%	53,417	2.0%	53,544	2.2%	55,660	2.5%
Fiat	17,577	2.1%	18,665	2.4%	-5.8%	60,581	2.2%	64,257	2.4%	67,162	2.7%	60,198	2.7%
SEAT	16,782	2.0%	13,390	1.7%	25.3%	47,456	1.8%	47,654	1.8%	53,512	2.2%	45,312	2.0%
Mazda	15,169	1.8%	17,191	2.2%	-11.8%	46,609	1.7%	45,504	1.7%	37,784	1.5%	31,228	1.4%
Suzuki	13,951	1.7%	11,545	1.5%	20.8%	38,167	1.4%	34,437	1.3%	37,395	1.5%	33,088	1.5%
Volvo	13,582	1.7%	11,508	1.5%	18.0%	46,696	1.7%	43,432	1.6%	41,066	1.7%	32,666	1.4%
Jaguar	13,134	1.6%	8,680	1.1%	51.3%	34,822	1.3%	23,954	0.9%	18,401	0.7%	16,210	0.7%
Dacia	8,206	1.0%	7,453	1.0%	10.1%	26,499	1.0%	26,228	1.0%	23,862	1.0%	17,146	0.8%
Other	30,356	3.7%	29,686	3.8%	2.3%	104,362	3.9%	93,857	3.6%	70,270	2.8%	63,454	2.8%
Total	820,016		771,780		6.25%	2,692,786		2,633,503		2,476,435		2,264,737	

Source: SMMT

Registrations of new commercial vehicles

The LCV market is broadly in line in March and Q1 2017, but this is on the back of a strong record 2016

Q1 registrations in the light commercial vehicle market (<3.5t) fell by -0.95% to 97,970 units and by -0.93% for the month of March to 63,316 units. The decline in the market came from the Van <2.0t which fell by -27.7% YoY. The Ford Transit Custom and Ford Transit were the two best-performing vehicles with Ford continuing to retain leading market share of 32.8% for the first quarter. Even in a declining Q1 2017, Ford continued to gain market share with a 3.3% increase in units registered. Volkswagen performed strongly with unit registrations for the first quarter up by 13.6%. This was the strongest LCV performing brands in the top five brands in the UK, registering 11,776 units. Peugeot, Vauxhall and Citroen all lost market share, with double digit declines YoY (Peugeot, -10.0%, Vauxhall -20% and Citroen -12.3%). Outside the top five, Mercedes-Benz grew market share, marginally up at 6.8%, registering 6,656 vehicles. There was strong performance from the following brands, Nissan up 36.7%, Mitsubishi up 36.5% and Fiat up 35%. It is not clear why this was the case, although the pickup vehicle market has performed strongly up 21.7% YTD 2017.

For the first quarter 2017, Ford continued to dominate not only the <3.5t market, but also the >3.5t and <6.0t markets. The >3.5t and <6.0t market continued to decline, falling by -2.7% in the first quarter; however, this amounted only to a difference of 51 vehicles as this market remains small with total registrations at Q1 2017 of 1,838.

Registration of New Commercial Vehicle in the United Kingdom

Commercial vehicles < 3.5t

	YTD March 2017		YTD March 2016		2017/2016	FY2016		FY2015		FY2014		FY2013	
Brand	Units	Share %	Units	Share %	% Change	Units	Share %	Units	Share %	Units	Share %	Units	Share %
Ford	32,160	32.8%	31,130	31.5%	3.3%	115,554	30.8%	100,262	27.0%	82,519	25.7%	68,054	25.1%
Volkswagen	11,776	12.0%	10,362	10.5%	13.6%	45,358	12.1%	43,091	11.6%	40,238	12.5%	36,925	13.6%
Peugeot	8,562	8.7%	9,518	9.6%	-10.0%	33,187	8.8%	33,695	9.1%	31,867	9.9%	21,230	7.8%
Vauxhall	8,074	8.2%	10,089	10.2%	-20.0%	37,727	10.0%	41,736	11.2%	32,619	10.1%	29,736	11.0%
Citroen	7,540	7.7%	8,595	8.7%	-12.3%	27,771	7.4%	30,119	8.1%	27,228	8.5%	22,989	8.5%
Mercedes	6,656	6.8%	6,306	6.4%	5.6%	32,029	8.5%	31,887	8.6%	30,464	9.5%	25,667	9.5%
Renault	6,143	6.3%	6,601	6.7%	-6.9%	25,773	6.9%	25,371	6.8%	18,170	5.6%	12,978	4.8%
Nissan	5,074	5.2%	3,711	3.8%	36.7%	15,728	4.2%	11,621	3.1%	10,270	3.2%	10,619	3.9%
Mitsubishi	3,271	3.3%	2,396	2.4%	36.5%	8,655	2.3%	9,006	2.4%	6,946	2.2%	5,927	2.2%
Fiat	3,034	3.1%	2,248	2.3%	35.0%	10,185	2.7%	11,704	3.1%	12,629	3.9%	12,019	4.4%
Toyota	2,899	3.0%	2,335	2.4%	24.2%	7,275	1.9%	10,124	2.7%	9,611	3.0%	8,063	3.0%
Isuzu	1,300	1.3%	1,601	1.6%	-18.8%	5,718	1.5%	6,220	1.7%	5,502	1.7%	4,112	1.5%
Iveco	740	0.8%	953	1.0%	-22.4%	4,083	1.1%	4,326	1.2%	2,769	0.9%	3,275	1.2%
Other	741	0.8%	3,061	3.1%	-75.8%	6,644	1.8%	12,668	3.4%	10,854	3.4%	9,479	3.5%
Total CV	97,970		98,906		(0.9)%	375,687		371,830		321,686		271,073	

Source: SMMT

Commercial vehicles > 3.5t and < 6.0t

	YTD March 2017		YTD March 2016		2017/2016	FY2016		FY2015		FY2014		FY2013	
Brand	Units	Share %	Units	Share %	% Change	Units	Share %	Units	Share %	Units	Share %	Units	Share %
Ford	573	31.2%	587	31.1%	-2.4%	2,446	31.8%	2,722	34.0%	1,852	27.2%	2,767	40.8%
Fiat	472	25.7%	478	25.3%	-1.3%	1,802	23.4%	1,954	24.4%	1,313	19.3%	1,231	18.1%
Mercedes	390	21.2%	440	23.3%	-11.4%	1,734	22.6%	1,858	23.2%	1,889	27.8%	1,485	21.9%
Peugeot	150	8.2%	119	6.3%	26.1%	699	9.1%	673	8.4%	401	5.9%	200	2.9%
Iveco	107	5.8%	111	5.9%	-3.6%	446	5.8%	316	3.9%	402	5.9%	420	6.2%
Volkswagen	75	4.1%	63	3.3%	19.0%	265	3.4%	195	2.4%	386	5.7%	342	5.0%
Vauxhall	41	2.2%	67	3.5%	-38.8%	183	2.4%	140	1.7%	135	2.0%	99	1.5%
Other	30	1.6%	24	1.3%	25.0%	110	1.4%	143	1.8%	419	6.2%	244	3.6%
Total CV	1,838		1,889		(2.7)%	7,685		8,001		6,797		6,788	

Source: SMMT

EU and EFTA passenger vehicle registrations

In March 2017 there was a significant increase in EU passenger car registrations

From January to March 2017 demand for passenger cars increase by 8.2% totalling 4,256,202 vehicles. Italy (+11.9%), Spain (+7.9%), Germany (+6.7%), United Kingdom (+6.2%) and France (+4.8%) all saw increases in new passenger vehicle registrations.

Countries in Eastern Europe, Balkans and Baltics performed strongly in the first quarter of the year 2017 with Greek new vehicle registrations up 37.7%, being the best performer in Europe. The strong growth from the Eastern European markets can be attributed to improvements in the local economics.

A review of the growth of unit registrations by brand in the EU and EFTA, saw Toyota growing strongly up 19.4% followed by Fiat Chrysler and Jeep which grew by 14.6%.

EU and EFTA Passenger Vehicle Registrations March 2017 YTD

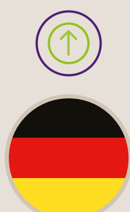
	YTD March 2017	YTD March 2016	2017/2016	FY2016	FY2015	FY2014	FY2013
Country	Units	Units	% Change	Units	Units	Units	Units
Germany	844,684	791,424	6.7%	3,351,607	3,206,042	3,036,773	2,952,431
United Kingdom	820,016	771,780	6.2%	2,692,786	2,633,503	2,476,435	2,264,737
Italy	582,465	520,362	11.9%	1,824,968	1,575,737	1,360,578	1,304,648
France	541,054	516,382	4.8%	2,015,177	1,917,226	1,795,885	1,790,456
Spain	307,911	285,494	7.9%	1,147,007	1,034,232	855,308	722,689
Belgium	164,709	150,456	9.5%	539,519	501,066	482,939	486,065
Netherlands	120,654	98,265	22.8%	382,825	448,927	387,565	416,730
Others	759,776	686,098	10.7%	2,687,467	2,397,067	2,155,721	1,941,817
Total EU	4,141,269	3,820,261	8.4%	14,641,356	13,713,800	12,551,204	11,879,573
EFTA	114,933	112,650	2.0%	490,363	488,473	455,681	457,310
Total EU + EFTA	4,256,202	3,932,911	8.2%	15,131,719	14,202,273	13,006,885	12,336,883

Source ACEA

Passenger vehicle registrations Q1 2017

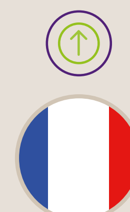
11.9%
Italy

7.9%
Spain



6.7%
Germany

6.2%
United Kingdom



4.8%
France

Contact us

Automotive contacts

Tarun Mistry
Partner
T +44 (0)20 7728 2404
M +44 (0)7966 432 299
E tarun.mistry@uk.gt.com

David Dunckley
Partner
T +44 (0)20 7728 2408
M +44 (0)7977 586 324
E david.dunckley@uk.gt.com

Owen Edwards
Associate Director
T +44 (0)20 7865 2291
M +44 (0)7811 991 128
E owen.edwards@uk.gt.com

Adam P Furrer
Assistant Manager
T +44 (0)20 7865 2541
M +44 (0)7941 628 058
E adam.p.furrer@uk.gt.com

Neil Barrell
Partner
T +44 (0)20 7865 2700
M +44 (0)7976 550 312
E neil.barrell@uk.gt.com

Bill Parfitt CBE
Consultant
M +44 (0)7528 870 341
E bill.parfitt@uk.gt.com

Antony Watkins
Associate Director
T +44 (0)20 7728 2082
M +44 (0)7795 220 331
E antony.watkins@uk.gt.com

Salman Vassi
Analyst
T +44 (0)20 786 2883
E salman.vassi@uk.gt.com

Paul Burrows
Director
T +44 (0)1908 359 554
M +44 (0)7850 538 309
E paul.v.burrows@uk.gt.com

Mark Almond
Director
T +44 (0)20 7865 2115
M +44 (0)7976 614 999
E mark.almond@uk.gt.com

Richard Parkin
Associate Director
T +44 (0)20 7865 2164
M +44 (0)7776 225 844
E richard.m.parkin@uk.gt.com

Regional contacts

Eddie Williams
Birmingham
T +44 (0) 121 232 5268
M +44 (0)7808 574 841
E eddie.williams@uk.gt.com

Alistair Wardell
Cardiff
T +44 (0)29 2034 7520
M +44 (0)7815 062 698
E alistair.g.wardell@uk.gt.com

Chris Petts
Leeds/Newcastle
T +44 (0)1912 037 787
M +44 (0)7973 714 191
E chris.petts@uk.gt.com

Nigel Morrison
Bristol
T +44 (0)117 305 7811
M +44 (0)7976 854 440
E nigel.morrison@uk.gt.com

Hazel Platt
Corporation Tax Partner
T +44 (0)1908 359 519
M +44 (0)7827 876 468
E hazel.a.platt@uk.gt.com

Malcolm Gomersall
Milton Keynes
T +44 (0)1908 359 563
M +44 (0)7815 143 361
E malcolm.a.gomersall@uk.gt.com

Darren Bear
Cambridge
T +44 (0)122 322 5673
M +44 (0)7977 147 108
E darren.m.bear@uk.gt.com

Steve White
Milton Keynes
T +44 (0)1908 359 667
M +44 (0)7710 748 532
E steve.j.white@uk.gt.com

Rob Caven
Scotland
T +44 (0)141 223 0629
M +44 (0)7774 191 272
E rob.caven@uk.gt.com

grantthornton.co.uk

© 2017 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

GRT105873