



Automotive Industry Weekly Digest

25-29 January 2021





WeChat



Auto VIP

Contents

[OEM Highlights] Great Wall to reshape brand image with new models	3
[OEM Highlights] VW begins sales of ID.4 CROZZ in China	4
[Sales Highlights] Chinese new vehicle sales contract 2% during 2020; demand rebound expected in 2021	6
[Sales Highlights] VW Group reports sales decline of 9.1% in China during 2020	8
[Technology and Mobility Highlights] Huawei develops smart roads in Wuxi that communicate with driverless vehicles	10
[Technology and Mobility Highlights] Geely teams up with Tencent to develop smart car technologies	10
[Supplier Trends and Highlights] DENSO collaborate with AEVA to develop next-generation FMCW lidar system	12
[Supplier Trends and Highlights] Freudenberg Sealing Technologies develops new DIAvent valves for safer lithium-ion batteries	12
[GSP] India/Pakistan Sales and Production Commentary -2020.12	14
[VIP ASSET] Stellantis: Scale Creates Opportunity	16
[VIP ASSET] Stellantis expects scale to support strong brand stable, investment into new tech	17



[OEM Highlights] Great Wall to reshape brand image with new models

IHS Markit perspective

Implications Great Wall has delivered satisfactory sales results during 2020 despite the disruption from the coronavirus disease 2019 (COVID-19) pandemic. The automaker's sales rose by 5% to more than 1.11 million vehicles during 2020 on the back of strong demand for its new models, including the Haval H6 and the Pao pickup. The sales volumes of 1.11 million units exceeded the company's target set for the year, which was 1.02 million units.

Outlook The automaker kicked off its biggest product overhaul in over a decade during 2020 and the effort will continue into 2021.

Chinese automaker Great Wall Motor unveiled another new product under its WEY brand on 15 January amid the automaker's biggest product overhaul in over a decade. The new model, a full-size sport utility vehicle (SUV) called the Mo Ka, adds a new flagship model to the WEY line-up.

With an overall body length of 4,875 millimetres (mm) and a wheelbase of 2,915 mm, the new model is longer than the WEY VV7 SUV; however, the wheelbase of the Mo Ka has been shortened by 35 mm compared to the VV7. As the latest model from Great Wall's 'Coffee' architecture, the new model will feature the automaker's latest engine, the GW4N20 2.0-litre turbocharged gasoline (petrol) engine, which has already been used in the Haval H6 SUV. The thermal efficiency of this 2.0-litre engine developed by Great Wall is claimed to reach over 38%. Great Wall has not released the full specifications for the Mo Ka. However, the new model is to be packed with an array of new technologies, including 5G-enabled technologies, V2X communications, and a lidar-enabled L3 automated driving system powered by Qualcomm. The option of a plug-in hybrid powertrain will be available in the Mo Ka for customers looking for a new energy vehicle.



The WEY brand, which has just launched an all-new product, the Tank 300 SUV, is expected to roll out refreshed versions of the VV5 and VV7 in 2021. According to the automaker's product plan, the Tank 300 is to be followed by a larger model likely to be named the Tank 600. The refreshed product line will allow Great Wall to rejuvenate sales of the WEY brand and give it a more distinctive identity to differentiate it from the Haval brand. The VV series of the WEY brand is to be more focused on city SUVs, while the Tank-series vehicles will have greater off-roading capacities to appeal to consumers who want rugged SUVs.

Starting with the launch of the Great Wall Pao pick-up and the third-generation Haval H6, Great Wall has revamped its product portfolio over the past 12 months with new products backed by the automaker's latest technologies. With these new models, Great Wall intends to reshape its image from a budget carmaker to a leading utility vehicle manufacturer specialising in SUVs and pick-ups. The Pao pick-up, sales of which began in mid-2020, played a vital



role in increasing Great Wall's sales during 2020 and boosted demand for such models among private car owners. The Pao should also enable Great Wall to grow its influence in overseas markets, including Australia, where the pick-up truck segment has been dominated by Japanese and American brands.

Outlook and implications

Great Wall has delivered satisfactory sales results during 2020 despite the disruption from the coronavirus disease 2019 (COVID-19) pandemic. The automaker's sales rose by 5% to more than 1.11 million vehicles during 2020 on the back of strong demand for its new models, including the Haval H6 and the Pao pick-up. The automaker kicked off its biggest product overhaul in over a decade during 2020 and the effort is to continue into 2021.



The WEY brand will have two product lines that target completely different consumer groups. WEY brand's new models, such as the Mo Ka, will not only have a modern look and refined interior, but will also be powered by a suite of advanced vehicle technologies ranging from a digital cockpit, driver-assistance technologies, and AI-backed infotainment systems. In comparison, a model such as the Tank 300 SUV has broadened Great Wall's SUV offering to attract customers looking for a SUV with high off-roading capability and a strong power performance. In the new energy vehicle market, Great Wall has already launched several sub-compact and compact electric vehicles under the Ora brand. These products, however, are still targeting the lower-end of the market. The WEY brand, an upper-market brand, is likely to begin vehicle sales in Europe in 2022. Models launched in the European market will have hybrid powertrain options to compete with MG models introduced by SAIC Motor.

[OEM Highlights] VW begins sales of ID.4 CROZZ in China

VW yesterday (19 January) began sales of its first MEB-based electric vehicle (EV), the ID4.CROZZ, in China. The model comes in five versions in the market, with prices ranging from CNY199,900 (USD30,901) to CNY279,900. The standard-range single-motor version is equipped with a 56.3-kWh battery pack and can deliver a range of 400 km under the New European Driving Cycle (NEDC) test cycle. The long-range version, which features an 84.8-kWh battery pack, can deliver a range of up to 550 km. VW also offers a high-performance version of the ID.4 CROZZ in the Chinese market; this can deliver a driving range of up to 500km. Powered by two electric motors, the model promises combined output of 225 kW and peak torque of 460 Nm. A 12-inch full-digital display is standard across



WeChat



Auto VIP

the ID.4 CROZZ line-up, while augmented reality navigation is optional. Apple CarPlay and Baidu CarLife for mobile phone integration are also standard for the model.



Outlook and implications

VW's ID.4 will be introduced in China as two nameplates: the ID.4 CROZZ and the ID.4 X. The two models will be produced by VW's two Chinese joint-venture partners, FAW-VW and SAIC-VW, respectively. The arrival of the ID.4 CROZZ will allow VW to enhance its presence in the battery electric vehicle market, where its previous launches, such as the Bora EV and Lavida EV, have been based on the MQB platform designed for internal combustion engine vehicles. The model will rival the likes of the GAC AION LX and Arcfox alpha-T in the Chinese market. Starting from 2021, VW Group is expected to begin production of MEB-based models across its five brands in China, including Audi, VW, SEAT, and Skoda. IHS Markit forecasts that the Group's MEB-based offerings in China will number at least 20 models by 2023, compared with six in 2021.



[Sales Highlights] Chinese new vehicle sales contract 2% during 2020; demand rebound expected in 2021

IHS Markit perspective

Implications	China's auto market experienced a moderate contraction during 2020, with new vehicle sales falling 1.9% to 25.31 million units.
Outlook	According to IHS Markit's December 2020 forecast update, mainland China's light-vehicle market is expected to return to growth in 2021. This year, light-vehicle sales volumes in the Chinese market are forecasted to surpass the pre-COVID-19 pandemic level of 24.8 million units in 2019. Light-vehicle production volumes are forecast to grow by 5.6% to around 24.5 million units in 2021.

China's auto market experienced a moderate contraction during 2020, with new vehicle sales falling 1.9% to 25.31 million units. According to data released by the China Association of Automobile Manufacturers (CAAM), new vehicle production on a wholesale basis reached 25.23 million units in China during 2020, down 2%. Of the total new vehicle sales and production in 2020, passenger vehicle (PV) sales were 20.18 million units, down 6.0%, and PV production was 20.0 million units, down 6.5% y/y. The CAAM's definition of PVs includes sedans, sport utility vehicles (SUVs), multi-purpose vehicles (MPVs), and minivans. Commercial vehicle (CV) sales reflected a strong rebound in demand during 2020 as the coronavirus disease 2019 (COVID-19) pandemic resulted in a boost to demand for heavy trucks and logistics vans. CV sales, including medium and heavy commercial vehicles, rose by 18.7% to 5.13 million units during 2020, while CV production rose by 20% to 5.23 million units.



China's new energy vehicle (NEV) market continued to expand during 2020. Sales of NEVs, which include battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and fuel-cell vehicles (FCVs), increased 10.9% to 1.37 million units last year. Sales of BEVs grew by 11.6% to 1.115 million units in 2020, while production of BEVs increased 5.4% to 1.105 million units. Last year, sales of PHEVs were 251,000 units, up 8.4%, while production of PHEVs increased 18.5% to 260,000 units. By vehicle type, sales of passenger NEVs increased 14.6% to 1.246 million units during 2020 and sales of commercial NEVs contracted 17.2% to 121,000 units.

In December 2020, new vehicle sales in China totalled 2.831 million units, up 6.4% year on year (y/y), while new vehicle production rose by 5.7% y/y to 2.84 million units. Last month, PV sales grew 7.2% y/y to 2.375 million units and PV production increased 6.5% y/y to 2.331 million units. Sales of CVs rose 2.4% y/y to 456,000 units and production of CVs grew 2.3% y/y to 509,000 units. In December, sales of NEVs surged 49.5% y/y to 248,000 units and NEV production increased 55.7% y/y to 235,000 units.



WeChat



Auto VIP

New vehicle sales in China, December and YTD		
	2020	Y/Y % change
December	2,831,245	6.37
Year to date	25,311,069	-1.88

Source: CAAM © 2021 IHS Markit

Outlook and implications

Against the backdrop of the coronavirus disease 2019 (COVID-19) pandemic, China, the world's largest auto market, has fared much better than most of the other major auto markets. To put this into perspective, at the beginning of the COVID-19 virus outbreak, which first began in China's Hubei province, auto sales in China were forecasted to slump by up to 15% during 2020 on the impact of the public health crisis. Last year, the Chinese market experienced its 'darkest days' when new vehicle sales slumped by 79% y/y in February and 43% y/y in March, after the COVID-19 virus outbreak hit central China's Hubei province and forced the authorities to implement aggressive containment measures to keep the public at home. However, new vehicle sales began to recover in the second quarter. The market's recovery began in April and the recovery was sustained through the rest of the year, with new vehicle sales posting a ninth consecutive month of growth in December 2020.

Effective virus containment measures and strong government stimulus measures have worked together to spur new vehicle demand. According to the light-vehicle production tracker compiled by IHS Markit, automakers in China ramped up production rapidly during May and June. By the end of July, the average output had already returned to pre-COVID-19 levels. As the COVID-19 pandemic has eased in China, consumers who are concerned about a potential economic slowdown have begun to return to the market with greater willingness to spend on items that will improve their living standards, health conditions, and safety. Another driver of the strong rebound in new vehicle demand is related to lockdown measures that force consumers to cut international travels, thus freeing up a significant portion of their dispensable income to spend on big-ticket items, including automobiles. The auto sector is not the only one that has benefited from the pandemic-induced shopping spree. Data from China's National Bureau of Statistics indicates that domestic consumption remained strong during 2020. From January to November, online retail sales' value increased by 11.5% y/y to CNY10,537.4 billion (USD1,629 billion), suggesting the COVID-19 pandemic only had limited impact on consumer spending.



Automakers' efforts to increase the pace of model and technology introductions in China also helped to bolster new car sales in a challenging market environment. Japanese automakers, for instance, have witnessed a strong rebound in new vehicle sales, to a large extent, thanks to the wider application of full hybrid technologies in their models. Such technologies enabled Japanese brands to differentiate their models from those of their rivals and defend their market share amid aggressive product roll-outs by Chinese automakers. During 2020, Toyota sold 1.8 million vehicles in China, up by 10.9%, while Honda's sales increased by 4.7% to 1.63 million units.



According to IHS Markit's December 2020 forecast update, mainland China's light-vehicle market is expected to return to growth in 2021. This year, light-vehicle sales volumes in the Chinese market are forecasted to surpass the pre-COVID-19 pandemic level of 24.8 million units in 2019. Light-vehicle production volumes are forecasted to grow by 5.6% to around 24.5 million units in 2021. This year, market growth is forecasted to remain driven by the SUV segment, the highest volume segment by vehicle type and the most-dynamic segment of the Chinese auto market. Sales in the SUV segment are expected to continue to expand through 2023, underpinning the post-pandemic recovery of the Chinese light-vehicle market, in which sales volumes are forecasted to grow by 4% to 25.8 million units in 2022, after a rebound of 6% to around 24.9 million units in 2021.

[Sales Highlights] VW Group reports sales decline of 9.1% in China during 2020

Volkswagen (VW) Group sold 3.85 million vehicles in mainland China and Hong Kong Special Administrative Region (SAR) during 2020, down 9.1% from 2019. Of this total, 170,700 vehicles were imported. Sales of the VW and Jetta brands totalled 2.851 million units in mainland China and Hong Kong SAR in 2020. Skoda sales fell 38.7% y/y to 173,000 units. Audi sold 727,400 vehicles in mainland China and Hong Kong SAR, up 5.4% y/y, while Porsche delivered 89,000 new cars in the two markets, up 2.6% y/y. Sales of VW-brand new-energy vehicles (NEVs) in the two markets increased 36% y/y during 2020 to 52,3000 units. "For 2021, we expect positive growth of deliveries ahead of the total market, and to increase our market share over the course of the year. However, in the first months of this year the shortage of semiconductors will cause a delay in deliveries. Still, we are optimistic in recovering from the impact of this delay over the following months. A total of 25 new models will be launched in 2021, which will act as a strong driver of growth," said Dr Stephan Wöllenstein, CEO of Volkswagen Group China.



Outlook and implications

Sales of VW Group in mainland China and Hong Kong SAR contracted during 2020 as a result of the impact of the coronavirus disease 2019 (COVID-19) virus outbreak. The market remained the largest single market for VW globally, with a share of 41% of its total sales. Demand for the group's premium models remains strong in the Chinese market. Audi posted its highest sales in China, although the premium brand was outsold by BMW and Mercedes last year. Among the group's brands, Skoda suffered the sharpest decline in China last year. The brand, which is focused on sport utility vehicles (SUVs), will see growing competition in the market as Chinese automakers such as Geely, Great Wall, and Changan Auto step up efforts to expand their SUV offerings. VW Group also expanded its NEV portfolio during 2020. The number of electrified models in its line-up, including plug-in hybrid electric vehicles (PHEVs) and battery electric vehicles (BEVs), increased from nine models in 2017 to 16 models in 2020. Deliveries of the ID.4 BEV, which will be



WeChat



Auto VIP

produced by the Group's two joint-venture partners, SAIC VW and FAW VW, will begin in 2021. Sales of the Skoda Enyaq, the first MEB-based BEV for the Skoda brand, will also begin in China in 2022.



[Technology and Mobility Highlights] Huawei develops smart roads in Wuxi that communicate with driverless vehicles

Telecoms equipment company Huawei Technologies has developed smart roads in Chinese city Wuxi, Jiangsu province, that can communicate with driverless vehicles. The site is part of China's first national project for intelligent and connected vehicles. The road is embedded with traffic lights, street signs, cameras, and radars that enable the vehicle to receive information from its surroundings. This helps the vehicle undertake actions such as making stops, swerving past obstacles, accelerating, and decelerating. Jiang Wangcheng, president of Huawei's information and communications technology business, said, "Autonomous driving is an irresistible trend, but any isolated vehicle alone can't nail it. The only solution is to get more information from the roads."



Outlook and implications

Huawei's 5G technology offers advantages such as high transmission speed, reliability, and latency that meet the technical connectivity requirements for autonomous vehicles (AVs). Last year, Huawei partnered with 18 Chinese automakers to accelerate the use of 5G in vehicles. China is pushing to commercialise smart AVs, which is a key part of the country's 'Made in China 2025' plan. Recently, the country released the 'Technology Roadmap for Intelligent-Connected Vehicles 2.0', which aims for vehicles with partial autonomous functions to account for 50% of new vehicle sales by 2025.

[Technology and Mobility Highlights] Geely teams up with Tencent to develop smart car technologies

China's Zhejiang Geely Holding Group (Geely) has signed an agreement with Tencent to develop smart car technologies. Areas of strategic co-operation between the two companies include developing smart car cockpits and exploring testing of autonomous vehicles (AVs). An Conghui, president of Geely, said, "With a cooperative relationship spanning three years, Geely and Tencent is now deepening their partnership and working to digitalize the entire automotive value chain. At the same time, we hope to fulfil our responsibility to society by jointly promoting sustainable low carbon development throughout the automotive industry."



WeChat



Auto VIP



Outlook and implications

Geely and Tencent have been partners since 2018. The deal with Tencent is the third recent partnership by Geely with companies involved in the tech sector. Earlier this month, Geely partnered with Baidu aimed at manufacturing electric vehicles. In the same month, Geely inked a deal with Apple maker Foxconn to provide contract manufacturing for automakers. Tencent is accelerating its deployment of technology-driven automotive services. Last year, Tencent launched TAD Sim 2.0, a new simulation platform to accelerate testing efficiency of AVs.



[Supplier Trends and Highlights] DENSO collaborate with AEVA to develop next-generation FMCW lidar system

FMCW lidar measures not only distance and direction of objects but their moving speeds



Source: Getty Images

DENSO has announced a partnership with US-based startup Aeva to develop next-generation sensing and perception system, the Japanese supplier said in a press release on 19 January. The two companies will collaborate to bring Frequency Modulated Continuous Wave (FMCW) lidar to the mass vehicle market.

Most lidar systems currently use time of flight (ToF) method for object detection. The method accurately detects the distance and direction of objects by emitting pulse laser beams and measuring the time taken to receive the beam reflected by the objects. Aeva is developing a new lidar using a more advanced FMCW measurement method that not only enables detection of distance and direction of objects but also measures their moving speeds by emitting laser beams while measuring changes in frequency of the beams reflected by these objects. This enables FMCW lidars to more accurately detect moving objects close to a vehicles, such as pedestrians and cyclists.

Outlook and implications

DENSO is the largest automotive supplier from Japan with strong presence in areas such as safety and cockpit systems, powertrain systems, and thermal system. The company is a major supplier to Toyota Motor, which is also its largest shareholder. Aeva was established in 2017 by former Apple engineers Soroush Salehian and Mina Rezk. The company specializes in FMCW lidar and perception system. In 2019, Aeva introduced its next-generation FMCW lidar system. The system, which Aeva calls 4D lidar-on-chip, decreases the size and power of the device but has a full range performance of over 300 meters for low reflective objects and can measure instant velocity for every point.

[Supplier Trends and Highlights] Freudenberg Sealing Technologies develops new DIAvent valves for safer lithium-ion batteries

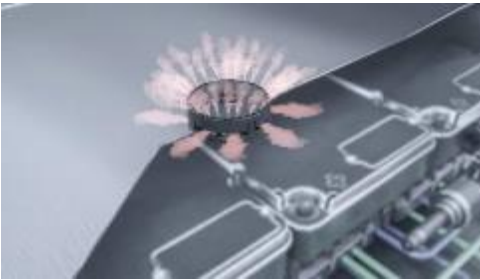
New valves allow reaction gases to escape from damaged Li-ion batteries four times faster than before



WeChat



Auto VIP



Source: Freudenberg Sealing Technologies

Freudenberg Sealing Technologies (FST) has developed a new generation of DIAvent valves for improving the safety of the lithium-ion (Li-ion) batteries in electric vehicles (EVs), the company announced in a press release on 19 January. The new valves allow reaction gases to escape from damaged Li-ion batteries four times faster than before. At the same time, the valve maintains the continuous pressure compensation required for normal battery operation. FST said that it is preparing for a rapid series launch.

“With the new generation of our housing ventilation, we want to help make electromobility even safer. Valves that ensure both pressure compensation during normal operation and a high flow rate in an emergency also reduce costs on a system level,” said Roman Herzog, development engineer, FST.

Outlook and implications

In the current generation of Li-ion batteries, the individual battery cells may get very hot in case of a mechanical defect or short circuit. This can lead to liquid electrolyte, which is currently used in nearly all Li-ion cells, to evaporate and can escape into the battery housing as a hot gas. This must then be released into the environment very rapidly and in a controlled process through a pressure relief valve. Many current battery housings feature several rupture disks for this purpose—a solution that provides rapid degassing but has some drawbacks. The bursting exposes the battery interior, which means that special precautions are required, for example when extinguishing, towing or repairing the vehicle.

FST first launched series production of “DIAvent” in early 2020, to offer a ventilation valve that combines regular housing venting and rapid emergency degassing in a single component. Now the supplier is presenting a new generation of this valve, which makes the emergency degassing four times faster. Even with an overpressure of 300 millibar inside the housing, “DIAvent Highflow” already enables a flow rate of 92L per second. The significantly enhanced performance of the valve, whose outside dimensions remain nearly unchanged, can be attributed to the optimized gas flow inside the component.



[GSP] India/Pakistan Sales and Production Commentary -2020.12

India/Pakistan sales

November 2020: +4.0%; 329,576 units vs. 316,117 units

YTD 2020: -26.6%; 2,501,166 units vs. 3,408,268 units

- The Indian subcontinent's light vehicle sales grew 4.3% in November 2020. Sales in the Indian automotive market in November rose by 4% while in Pakistan the light vehicles sales jumped by 13%. The sales growth in India and Pakistan was due to rush to buy cars during the festival season and because people are avoiding public transportation owing to COVID-19-related fears. According to IHS Markit, the accumulation of savings due to the cut in expenses during the last six months has boosted consumers' ability to fulfill the down payment on a vehicle. It may appear that Indian growth in November was low, but this was owing to fewer working days in November due to Diwali festival. Also in the same month in 2019 in India, sales were high due to discount on Bharat-Stage 4 (BS-4) vehicles.
- Before COVID-19, the automotive industry was facing demand pressure. The reluctance in buying internal combustion engine (ICE) cars, mounting ownership costs, pressure on the lending business, and deteriorating business sentiment were hurting demand. In the early months of the COVID-19 crisis (April to June), sales crashed as there was a complete lockdown. However, in July, August, September, and October, November sales bounced back. Overall replacement demand may be badly hurt as there is major damage in businesses' balance sheets. This will lead to more default in the coming days, and it will take time before high growth is sustainable and normalcy kicks in.



- On the macro side, the economic growth forecast has been shaved to a -9% contraction in 2020 in India. The Indian light vehicle sales market is expected to decline 24% y/y in 2020. Lower interest rates and the tendency to avoid public transportation and instead to use private cars, may be the key drivers that will help the industry grow in the next six months. A possible scrappage scheme would help the industry generate demand and bring the automotive industry back to a fast growth trajectory.
- In Pakistan, automotive sales were up 13% in November 2020 because of pent-up demand and production picking up. The bleak near-term macroeconomic outlook, higher interest rates, and massive damage to businesses and the economy will remain major deterrents to growth. IHS Markit expects the possibility of short-term growth; however, in the medium-term we may see a deterioration of macroeconomics. In the long term, momentum is positive for the car industry, and the government is focused on pushing the automotive industry. Changes in private-sector policies will also help drive sales in the country. However, the overall sales forecast has been downgraded as it will likely take some time to recoup the savings that consumers have lost during the COVID-19 situation.



WeChat



Auto VIP

India/Pakistan production

November 2020: +3.0%; 359,355 units vs. 348,796 units

YTD 2020: -28.1%; 2.92 million units vs. 4.07 million units

- In November 2020, the Indian subcontinent's light vehicle production increased approximately 3% year on year (y/y) compared with November 2019. Indian light vehicle production in November 2020 is estimated to have recorded 347,289 units, or an increase of approximately 1.8% y/y, mainly owing to pent-up demand and the festive season. In November, Maruti Suzuki, Hyundai, and Tata are expected have posted strong growth, while Toyota is expected to post a decline owing to the union issue at its plant. Gradual reopening of production plants and a religious festival-driven boost in demand brought recovery to production in the October–December quarter.

Welcome to join the VIP group and read the full article



[VIP ASSET] Stellantis: Scale Creates Opportunity



FCA and PSA announced plans to explore a merger in October 2019, with the deal closing on 16 January. A new company called Stellantis has been created, with stock traded on the Milan, Paris and New York Stock Exchanges. In this summary, IHS Markit provides context for some opportunities and challenges the new company will face. The commentary provides a combination of announced and expected actions and was developed by principal analysts Stephanie Brinley and Ian Fletcher.

Outlook and implications

Stellantis, the newly created automaker born from a merger between PSA and FCA, is positioning itself as “Stellantis, A World Leader in Sustainable Mobility.” The new company, with the stroke of a pen, became an automaker with more than 8 million units per year in annual sales and production volume in 2019. The new company is 400,000 employees and the fourth-largest global automaker.



On the global stage, Stellantis is now behind Volkswagen, Toyota and the Renault-Nissan-Mitsubishi Alliance, based on 2019 figures (the latest for which we have global actual data). Separately, FCA was the eighth largest automaker by sales volume and Group PSA the ninth. While Stellantis has several brand stables with electrified and electric powertrain offerings, the company will have some way to go to catch up to other automakers more firmly positioned along the sustainable mobility path. However, the shift to electrified platforms, and more specifically electric vehicles, is in early stages. Stellantis, with development resources and time, has the ability to become more significant in this arena.

Massive brand stable may see some paring



Stellantis now has 14 brands in its combined PSA-FCA stable. While so far indicating that no plants are expected to be closed, Stellantis CEO Carlos Tavares has demonstrated in the past a willingness to abandon products that are unprofitable and Stellantis has more production capacity than it may need today. However, the expected cost-cutting targets enabled by the larger scale and improved purchasing power of the combination may ultimately mean that answer may not always simply be to drop troubled brands or products—instead there may be opportunity for some brands to see expanded product portfolios compared with today as a result of improved purchasing opportunities and scale effect. Even so, there are products and brands which may be at risk under the new organization. The level of risk will become more clear as Stellantis moves forward.

Managing this large of a stable of brands can be difficult, though Volkswagen has successfully supported a vast number of brands, too, showing it is not necessarily impossible. In Stellantis' favour, many of the brands are functionally regional and do not need to share center stage equally in all markets. Also in Stellantis's favor is the ability that FCA employees bring to be able to maintain clear product DNA for key brands under multiple owners in the past. The mix of brands also means that the Stellantis product portfolio touches nearly every vehicle segment, creating opportunity to address more customer needs.

Combined company to achieve sales, production over 8.0 million units by 2025

Based on the IHS Markit December 2020 sales and production forecasts, the combined sales of FCA and PSA will reach 7.0 million units in 2021 and increase to 8.25 million units as soon as 2025. This volume provides the scale Stellantis will need to achieve its targets and to enable development and innovation in any number of automotive industry arenas. The scale has potential not only to enable Stellantis to catch up to other automakers who may be ahead in one area or another, but also to the potential to deliver innovations that will move Stellantis beyond the issues facing the industry over the next five years.

Welcome to join the VIP group and read the full article

[VIP ASSET] Stellantis expects scale to support strong brand stable, investment into new tech

IHS Markit perspective

Implications	Stellantis CEO Carlos Tavares held the company's first press conference on 19 January, providing some insight into the new company's direction. In addition, the first executive appointments were announced.
Outlook	Now that Stellantis has been formed, the company has to begin the work of integrating and making the best use of its new scale. Next steps include developing the strategies that will get Stellantis and its brands to profitability and sales targets; with the mix of former FCA and PSA employees and brand dedication existent in the company, this may be less of a challenge than it might appear. For the full fruition of the merger to appear will still take five to ten years, and as Tavares noted, external forces could alter plans yet again.



Stellantis, the company born of a merger between Groupe PSA and Fiat Chrysler Automobile (FCA), held its first press conference on 19 January 2021, with CEO Carlos Tavares outlining expectations that the company's newfound scale will provide a "shield" against job losses and plant closures. The company's new scale, Tavares says, will enable far more efficiencies in purchasing and research and development. Those benefits, Tavares expects, will mean the company can deliver a stronger mix of vehicles at the appropriate price points for all of its brands. Tavares focused the conversation on the benefits that being a larger company can bring to improved profitability. Tavares noted that if the financial results of FCA and PSA from 2019 were aggregated, the results would have included adjusted operating profit of EUR12 billion and adjusted operating profit margin of 7%, with automotive operational free cash flow of more than EUR5 billion. Tavares also highlighted the complementary global operations of the two, although he acknowledged that neither of the companies had achieved success in China so far, and this is an area to be addressed and improved.



Stellantis expects to see annual synergies at a steady state of EUR5.0 billion per year; of this, the company expects 40% to come from product-related synergies, 35% from purchasing and 25% from selling, general administration (SGA) and other functions. The greatest opportunity is in product, where the greatest cost can also be found and where the greatest impact on consumer success can be found. Tavares expects to see convergence of vehicle platforms, modules and systems; consolidation of investments into powertrains, propulsion systems and other technologies; and efficiencies in manufacturing processes and tooling efficiencies. In terms of purchasing, the larger scale can improve product cost, improve price alignment and provide access to new suppliers, Tavares said. Although Stellantis focused on being able to maintain jobs, prior mergers would suggest that the SGA area will bring some human redundancies as integrating functions including sales and marketing, information technology, logistics, supply chain, quality and after-market operation may reduce headcount needs. However, the vision Tavares presented suggests that cutting jobs is not a priority relative to finding cost savings. Getting to the steady state of savings is expected to cost Stellantis about EUR4.0 billion, with expectation that the company will reach about 80% of the steady state by the end of 2024.

Stellantis will adopt a matrix structure, with nine effective committees. These will be business review, a strategic council, global programme committee, industrial committee, allocations committee, region committee, brand review, brand committee and styling review. Rather than focusing on brands to potentially cut, Stellantis is looking at its brands as strong assets enabling coverage of key market segments. Tavares stressed that the cost reductions, along with focused brand vision, will enable the creation of vehicles that are at the right price point for customers as well as being profitable for Stellantis. Where some brands have not had the product development necessary for recent successes, the implication is that under Stellantis, a stronger portfolio can be created for the troubled brands while strong brands can become more profitable.



WeChat



Auto VIP



As every other automaker is working to address, Stellantis will invest in mobility solutions, connected vehicles, new energy and autonomous vehicles. In terms of electrification, Stellantis expects to have global multi-energy and dedicated electrified platforms, which use engineering from both FCA and PSA. In developing autonomous vehicles (AVs), Stellantis will work both on proprietary technology and strategic partnerships, with much emphasis placed on the relationship with Waymo, which operates Chrysler Pacifica minivans in pilot fleets in the US. Stellantis says it will have 39 electrified vehicles on sale by the end of 2021 and that by the end of 2025, there will be one electrified version for every newly launched global model.

Welcome to join the VIP group and read the full article

###



WeChat



Auto VIP

Email

AsiaPacificAutomotive@ihsmarkit.com

Local Automotive Site

中国（中文）：[IHSMarkit.com/China Automotive](https://IHSMarkit.com/China_Automotive)

日本（日本語）：[IHSMarkit.com/Japan Automotive](https://IHSMarkit.com/Japan_Automotive)

韩国（韩国语）：[IHSMarkit.com/Korea Automotive](https://IHSMarkit.com/Korea_Automotive)

Disclaimer

The information contained in this report is confidential. Any unauthorized use, disclosure, reproduction, or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit Ltd. or any of its affiliates ("IHS Markit") is strictly prohibited. IHS Markit owns all IHS Markit logos and trade names contained in this report that are subject to license. Opinions, statements, estimates, and projections in this report (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of IHS Markit. Neither IHS Markit nor the author(s) has any obligation to update this report in the event that any content, opinion, statement, estimate, or projection (collectively, "information") changes or subsequently becomes inaccurate. IHS Markit makes no warranty, expressed or implied, as to the accuracy, completeness, or timeliness of any information in this report, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, IHS Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided. The inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). IHS Markit is not responsible for either the content or output of external websites. Copyright © 2020, IHS Markit®. All rights reserved and all intellectual property rights are retained by IHS Markit.