A Progressive Digital Media business

COMPANY PROFILE

Bayerische Motoren Werke AG (BMW Group)

REFERENCE CODE: 6A41C0F5-51FC-4B71-AF83-0B9F412CB891
PUBLICATION DATE: 26 Apr 2018
www.marketline.com
COPYRIGHT MARKETLINE. THIS CONTENT IS A LICENSED PRODUCT AND IS NOT TO BE PHOTOCOPIED OR DISTRIBUTED

MarketLine

TABLE OF CONTENTS

© MarketLine

COMPANY OVERVIEW

Bayerische Motoren Werke AG (BMW) is an automotive company that develops, manufactures, assembles, and sells automobiles and motorcycles. It sells spare parts and accessories manufactured in-house, by foreign subsidiaries and by external suppliers. The company also offers insurance, automobile leasing, fleet management, retail and dealership financing, and customer deposit services. The company markets its products under BMW, MINI, Rolls-Royce, Alphera, Alphabet and Motorrad brand names. BMW sells its products by independent authorised dealerships, BMW Group branches and subsidiaries, and independent importers in certain markets. The company primarily operates in Europe, the Americas, Middle East and Africa, and Asia. BMW is headquartered in Munich, Bavaria, Germany.

The company reported revenues of (Euro) EUR98,678 million for the fiscal year ended December 2017 (FY2017), an increase of 4.8% over FY2016. In FY2017, the company's operating margin was 10%, compared to an operating margin of 10% in FY2016. In FY2017, the company recorded a net margin of 8.7%, compared to a net margin of 7.3% in FY2016.

KEY FACTS

Head Office	Bayerische Motoren Werke AG (BMW Group) Petuelring 130 Munich Bayern Munich Bayern DEU
Phone	49 89 3820
Fax	
Web Address	www.bmwgroup.com
Revenue / turnover (EUR Mn)	98,678.0
Revenue (USD Mn)	111,251.7
Financial Year End	December
Employees	129,932
XETRA Ticker	BMW

© MarketLine

SWOT ANALYSIS

Bayerische Motoren Werke AG (BMW) is an automobile and motorcycles manufacturing company. Strong position in the international premium automobile market, robust focus on research and development and revenue growth are the key strengths for the company, whereas limited liquidity position and unfunded pension obligations remain the area of concern. In the future intense competition, changing technology and foreign currency risk could affect the revenues and profitability of BMW. However, positive outlook of global automotive manufacturing industry and strategic collaborations provide growth opportunities to the company.

Strength Strong position in the international premium automobile market Robust focus on R&D Revenue Growth	**Weakness** Liquidity position Unfunded pension obligations
Opportunity Strategic collaborations Positive outlook of global automotive manufacturing industry	**Threat** Intense competition Foreign currency risk Rapidly changing technology

Strength

Strong position in the international premium automobile market

BMW's strong global position in the premium automobile market enables it to sustain and enhance its profitability and also positions it to generate long-term growth. The company owns three of the strongest premium brands, such as BMW, MINI and Rolls-Royce in the automobile industry. The company offers customers a full spectrum of premium products, from MINI in the small car segment to Rolls-Royce in the ultra-luxury class. In addition to its strong position in the automotive market, BMW also offers a range of financial services. The company sold a total of 2,463,526 BMW, MINI, and Rolls-Royce brand vehicles during FY2017. Individually, these three automobile brands posted record sales, with 2,088,283 BMW vehicles, 371,881 MINI vehicles, and 3,362 Rolls-Royce vehicles. Despite increasing uncertainties in many markets, particularly in Europe, BMW retained its top position in the premium segment worldwide.

Robust focus on R&D

BMW has a strong focus on research and development (R&D) to manufacture high quality premium products. During FY2017, a total of 14,047 employees were employed throughout the company's global research and innovation network at 16 locations spread over five countries, to deliver the highest product quality and develop innovative technologies. The company spends heavily on R&D to develop new

© MarketLine

products as well as to improve existing products. In FY2017, R&D expenditure of the company was EUR6,108 million. In line with this, the company has launched new products in the past year. In May 2017, the company launched its first look of BMW 8 Series Coupe slated for 2018. Therefore, the company's strong emphasis on R&D enables it to deliver new and innovative products that help in generating higher revenues and profitability.

Revenue Growth

The company reported strong revenue growth in FY2017. Strong growth in revenue helps the company gain investors' confidence and improving its ability to allocate adequate funds for future growth prospects. In FY2017, BMW reported revenue of EUR98,678 million as compared to EUR94,163 million in FY2016, an annual growth of 4.8%. The growth in revenue was primarily driven by higher sales volume of BMW Group vehicles, growth in the leasing and credit financing contract portfolio and increased sales of returned leasing vehicles in the Financial Services business.

Weakness

Liquidity position

Limited liquidity position puts the company at a disadvantage when funding any potential opportunities in the market. The company’s current ratio was 1 in FY2017. This was lower than its competitors, Ford Motor and Yamaha with respective current ratios of 1.2 and 1.7 in FY2017. This suggests that the company is less able to meet its short-term obligations than some of its peers. At the end of the review year, the company had total current liabilities worth EUR69,047 million, as compared to EUR67,989 million in FY2016.

Unfunded pension obligations

BMW has significant unfunded pension obligations. The company provides retirement benefits for most of its employees, either directly or by contributing to independently administered funds. In FY2017, the company's fair value of planned pension assets stood at EUR19,477 million as compared to defined benefit obligations of EUR22,710 million, resulting into an unfunded status of EUR3,252 million. Going ahead, the volatility in financial markets (equity and debt) could lead to decline in pension fund asset values. Thus, unfunded pension obligation would force the company to make regular cash contributions to bridge the gap between pension assets and liabilities, which in turn could pressurize the liquidity position of the company.

Opportunity

Strategic collaborations

Strategic collaborations enhances the company’s product and service offerings. In March 2018, the company and Daimler AG signed an agreement to merge their mobility services business units. Under the terms of agreement, both the companies planned to combine and strategically expand their existing on-

© MarketLine

demand mobility offering in the areas of CarSharing, Ride-Hailing, Parking, Charging and Multimodality. The merger allows the company to create a unique digital ecosystem by combining the mobility services. In February 2018, BMW planned to form a joint venture for MINI electric vehicles in China. In this line, the company signed a letter of intent with the Chinese manufacturer Great Wall Motor. This helps the company for its brand's continued strategic development for the production of future battery-electric MINI vehicles in the world's largest market for electromobility.

Positive outlook of global automotive manufacturing industry

The global automotive manufacturing industry has produced relatively consistent levels of growth over the past few years. The industry is expected to continue to grow positively till 2021. According to MarketLine, the global automotive manufacturing industry generated total revenues of US$1,378.9 billion in 2016. Furthermore, the industry is expected to grow at a compound annual growth rate (CAGR) of 3.2% during the 2016–21 period to reach a value of approximately US$1,617.8 billion by 2021. In addition, the industry production volume is expected to rise to 160.2 million units by the end of 2021, representing a CAGR of 1.8% during the 2016–21 period. BMW's automobiles segment develops, manufactures, assembles and sells automobiles and off-road vehicles. It also sells automotive spare parts and accessories. Thus, the positive outlook of global automotive manufacturing industry could provide immense opportunities to BMW to boost up revenues and market share.

Threat

Intense competition

The worldwide automotive market is highly competitive. BMW faces strong competition from large automotive manufacturers in its various markets. The competition among various auto players is likely to intensify in light of continuing globalization and consolidation in the worldwide automotive industry. The factors impacting competition include product quality and features, safety, price, environmental performance, as well as efficiency of product development and manufacturing system, establishment of sales and service systems and sales finance. The company's major competitors include Renault, Ford Motor, Volkswagen, Daimler, General Motors, Toyota Motor, Volvo, Yamaha, Tesla Motors, and others. Hence, increased competition may lead to lower vehicle unit sales and increased inventory, which may result in a further downward price pressure and adversely impact the company's financial condition and results of operations.

Foreign currency risk

BMW is an enterprise with worldwide operations. It is a global company that sells its products in more than 150 countries. The company's businesses are conducted in a variety of currencies, from which currency risks arise. The company generates approximately 54.4% of its revenues from markets outside Europe. Since a significant portion of the company revenues are generated outside the Euro currency region and the procurement of production material and funding are also organized on a worldwide basis, the currency risk is an extremely important factor for BMW earnings. Any changes in demand and refinancing conditions, fluctuations in exchange rates have a significant impact on the company's earnings. This related in particular to the US Dollar (the main source of risk in BMW's currency portfolio),

© MarketLine

the Japanese Yen, the British Pound, and the Chinese Renminbi. In FY2017, the company recorded a loss of EUR1,171 million due to foreign currency translation.The value of the company's equity investment in foreign countries may fluctuate based upon changes in foreign currency exchange rates. These fluctuations, which are recorded in a cumulative translation adjustment account, may result in losses in the event a foreign subsidiary is sold or closed at a time when the foreign currency is weaker than when the company initially invested in the country. Therefore, any unfavorable change in other currencies would have an adverse impact on the profitability of the company.

Rapidly changing technology

Automotive market, in which the company operates, is subject to rapid technological changes. The introduction of products using new technologies and the adoption of new industry standards can make existing products or products under development, obsolete or unmarketable. In this scenario, to compete effectively, the company has to continuously innovate and introduce new products that gain market acceptance. Unless the company understands the customers’ requirements and adapts the emerging technologies in the market and introduces new products and solutions, its business may be adversely affected.

© MarketLine

Copyright of Bayerische Motoren Werke AG SWOT Analysis is the property of MarketLine, a Progressive Digital Media business and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.