

June 6, 2012

Europe | Germany | Automotive

DR. KALLIWODA
RESEARCH GmbH

Initiating Coverage

BUY

Target price: EUR 81.10

Industry: Automotive
Country: Germany
ISIN: DE0005190003
Bloomberg: BMW GR
Reuters: BMWG.DE
Website: www.bmw.com

Last Price: 62.46
High Low
Price 52 W.: 73.95 43.49
Market Cap. (EURbn) 40.92
No. of Shares (in m) 655.17
Avg. Daily Volume (in m) 2.85

Shareholders

Stefan Quandt 17.40%
Johanna Quandt 16.70%
Susanne Klatten 12.60%
Free float 53.30%

Performance

4 Weeks -2.47%
13 Weeks -6.89%
26 Weeks 23.82%
52 Weeks 8.14%
YTD 19.45%

Dividend

	in EUR	in %
2008	0.30	0.48%
2009	0.30	0.48%
2010	1.30	2.08%
2011	2.30	3.68%

BMW AG

Focus on premium pays off

- With its brands BMW, MINI, Rolls-Royce and Husquarna, the BMW Group is today a leading manufacturer of premium cars and motorcycles worldwide. In the past decade, the company has invested heavily in the development of attractive and technologically-advanced vehicles, which is why it has one of the highest customer-loyalty ratios in its industry. According to Millward Brown, BMW was the most valuable brand in the auto industry in 2011 (€19.5 bn or 48% of its current market cap).
- Over the last years, technologically-advanced quality cars have become increasingly popular, especially in countries such as China and Russia. As cars are an important status symbol there, the dynamic growth of incomes will continue to translate into high demand for vehicles. In its second biggest market, the US, BMW benefits from a recovery of demand after a sharp drop in 2009.
- For Q1/12, BMW presented excellent numbers, which showed a strong performance y-o-y. Revenues, which improved by 14.1% y-o-y to €18.3bn, were driven by very good unit sales of the company's young car models especially in Asia, where revenues increased by 31.9% y-o-y. Due to strong sales of high-margin vehicles such as the BMW 7 Series as well as improvements of cost efficiency the operating margin increased from 11.2% in Q1/11 to 11.7%. Thus, compared to its main rival Daimler BMW was far more profitable.
- We initiate coverage of BMW with a 12-months price target of €81.10 and a Buy rating. Our price target is a weighted average of our DCF model (70%) and peer group (30%). In our view, BMW will continue to benefit from its popular brand, strong foothold in emerging markets such as China, new car versions such as the 3 Series and 6 Series Grand Coupe and efficiency improvements. We also like the company because it pays out high dividends (DY 2011 = 3.7%).

EURbn	2008	2009	2010	2011	2012E	2013E
Net sales	53.20	50.68	60.48	68.82	72.25	76.66
EBITDA	4.60	3.89	8.97	11.67	12.07	12.43
EBIT	0.92	0.29	5.11	8.02	8.31	8.51
Net income	0.32	0.20	3.23	4.88	5.23	5.33
EPS	0.49	0.31	4.93	7.45	7.98	8.14
BVPS	30.66	30.26	36.52	41.27	46.86	52.55
RoE	1.60%	1.02%	14.73%	19.16%	18.11%	16.37%
EBIT margin	1.73%	0.57%	8.45%	11.65%	11.50%	11.10%
P/E	127.47	201.48	12.67	8.38	7.83	7.67
P/BVPS	2.04	2.06	1.71	1.51	1.33	1.19
EV/EBITDA	22.06	26.05	11.30	8.69	8.40	8.16

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1 Company profile

Headquartered in Munich in Southern Germany, BMW AG is one of the leading manufacturers of premium cars and motorcycles worldwide. The company, which was founded in 1916, has 17 own production facilities in Germany, UK, US, South Africa, Italy, Austria and China (Joint Venture with Brilliance). In Brazil, India, Russia, Egypt, Malaysia, Indonesia and Thailand, it co-operates with external manufacturers. BMW's cars and motorcycles are distributed through the company's 34 sales subsidiaries. As of 31 March 2012, the BMW Group had in total 101,260 employees.

2 SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> - Leading premium auto brand, which was 2nd most valuable in 2011 - In contrast to competitors BMW only produces premium cars and motorcycles - Strong market position in Asia and especially in China, where BMW sells most of its high-margin luxury cars - In the US, higher market share than closest peer Daimler - Excellent management, which has guided conservatively in the last years - Efficiency program number ONE; EBIT margin in the Auto segment is already higher than the targeted 8-10% - Efficient Dynamics concept reduces both fuel consumption and emissions (efficient engines, improved aerodynamics) - Short average age of current car models of only 2.4 years - BMW has one of the highest customer loyalty ratios in the industry (KRe: 55%) - Biggest stake in BMW is owned by the Quandt family 	<ul style="list-style-type: none"> - High net gearing (Q1/12: 212.2%) as a significant share of cars is leased; Daimler and Volkswagen have c. 129% - Overvalued on trading multiples, especially on P/BVPS and EV/EBITDA
Opportunities	Threats
<ul style="list-style-type: none"> - Recovery in BMW's two biggest markets, the US and Germany - Strong sales of new models, especially the popular 1 Series and 3 Series - In 2010, premium car segment in China only had a share of 6.7% in the entire car market vs. 18.2% in Western Europe and 12.1% in the US; thus significant catch-up potential - In fast-growing regions such as Asia and Eastern Europe cars are an important status symbol - Introduction of first electric cars, the BMW i3 in 2013 and i8 in 2014 - Connected Drive concept - Higher sales margins due to new versions of luxury cars such as BMW 7 Series and Rolls-Royce - Co-operation with Toyota Motor Corporation with regard to the research of next generation lithium-ion batterie cells; from 2014 BMW is supposed to deliver Toyota fuel-efficient diesel engines - Increase of production capacity in fast-growing markets such as China 	<ul style="list-style-type: none"> - Higher prices of raw materials - Risks associated with exchange rate fluctuations - Competitive pressure - Demand for premium cars is highly cyclical - Limitations of the number of cars in Chinese cities; China is one of BMW's most profitable market - Stricter emission rules for cars - Risks associated with residual value in case of leasing - Car recalls - Risks associated with external suppliers - Pressure on credit risk, especially in Southern Europe - High prices of fuel and more eco-focussed consumers could negatively affect demand especially for BMW's larger cars

3 Valuation

In order to account for current market valuations, we have valued BMW by using a weighted average of our DCF model (70%) and peer group (30%). Our 12-months price target for the stock equals €81.10, which implies an upside of 298% at current level.

DCF model

WACC assumptions

Growth propositions

Long-term growth rate	2.0%
Assimilation phase (from 2015)	5 Jahre
Revenue growth at the beginning	5.8%
Margin development (p.a)	-1 BP

Equity

Long-term risk-free rate	2.4%
Market risk premium	5.0%
Company beta (from Thomson Reuters)	1.19

Equity costs 8.4%

Debt

Debt costs (before tax)	5.5%
Tax rate on debt interest	30.0%

Debt costs (after tax) 3.9%

Equity value	40
Debt value	60
Gearing	150.0%
WACC	5.66%

Discount Cash Flow-Model (Basis 05/2012)

in EURm	Phase 1								
	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Total revenues	72,254.00	76,656.00	81,121.00	85,318.79	89,179.23	92,634.67	95,621.89	98,083.89	100,045.56
(y-o-y change)	5.0%	6.1%	5.8%	5.2%	4.5%	3.9%	3.2%	2.6%	2.0%
EBIT	8,309.21	8,508.82	8,923.31	9,342.41	9,720.54	10,050.86	10,327.16	10,544.02	10,674.86
(operating margin)	11.5%	11.1%	11.0%	11.0%	10.9%	10.9%	10.8%	10.8%	10.7%
NOPLAT	5,816.45	5,956.17	6,246.32	6,539.69	6,804.37	7,035.60	7,229.01	7,380.81	7,472.40
+ Depreciation & amortisation	3764.02	3916.68	4063.70	4188.66	4289.01	4362.56	4407.62	4423.02	4411.44
= Net operating cash flow	9580.47	9872.85	10310.01	10728.35	11093.38	11398.16	11636.63	11803.83	11883.84
- Total investments (Capex and WC)	-7279.72	-8491.89	-8616.82	-8338.31	-7963.89	-7497.22	-6944.46	-6314.10	-5700.93
Capital expenditure	-4253.64	-4488.05	-4640.38	-4742.80	-4814.69	-4854.08	-4859.63	-4830.72	-4776.93
Working capital	-3026.08	-4003.84	-3976.44	-3595.50	-3149.20	-2643.15	-2084.83	-1483.38	-924.00
= Free cash flow (FCF)	2300.75	1380.96	1693.19	2390.04	3129.50	3900.94	4692.18	5489.73	6182.90
PV of FCFs	2,224.96	1,263.91	1,466.63	1,959.30	2,428.02	2,864.36	3,260.72	3,610.53	3,848.52

PV of FCFs in explicit period 22,926.94

PV of FCFs in terminal period 97,937.59

Enterprise value (EV) 120,864.53

+ Net cash / - net debt -60,410.00

+ Investments / - minorities -65.00

Shareholder value 60,389.53

Number of shares outstanding (m) **655.17**

WACC 5.66%

Cost of equity 8.4%

Pre-tax cost of debt 5.5%

Normal tax rate 30.0%

After-tax cost of debt 3.9%

Share of equity 40.0%

Share of debt 60.0%

Fair value per share in EUR (today) 92.17

Fair value per share in EUR (in 12 months) 97.39

Sensitivity Analysis		Terminal EBIT margin						
		9.2%	9.7%	10.2%	10.7%	11.2%	11.7%	12.2%
WACC	4.2%	135.82	173.33	210.84	248.35	285.86	323.37	360.88
	4.7%	91.62	120.86	150.09	179.33	208.56	237.80	267.03
	5.2%	61.08	84.70	108.33	131.95	155.57	179.20	202.82
	5.7%	38.65	58.23	77.81	97.39	116.97	136.56	156.14
	6.2%	21.43	37.98	54.52	71.06	87.60	104.15	120.69
	6.7%	7.78	21.96	36.15	50.33	64.51	78.70	92.88

Source: Dr. Kalliwoda Research GmbH

Peer Group Analysis

Our peer group comprises four listed automobile manufacturers with premium brands:

- (1) *Daimler AG*: Headquartered in Stuttgart/Germany, Daimler develops, manufactures and distributes passenger cars, trucks, vans and buses. With its brands Mercedes-Benz and Maybach, the company is one of the main producers of premium cars worldwide. Its other brands include Smart (city cars), Fuso (busses and trucks), Western Star (trucks) and Setra (busses). Daimler has production facilities in 18 countries and distributes its automotive products and related financial services through its own sales network of 34 German sales-and-service centers, foreign sales subsidiaries and external partners. In fiscal-year 2011, the company had total revenues of €106.7bn.
- (2) *Volkswagen AG*: Volkswagen, which in 2011 was the No 2 car manufacturer worldwide by sales volume, is based in Wolfsburg/Germany. The company operates under the brands Volkswagen, Audi, SEAT, Skoda, Bentley, Bugatti, Lamborghini (cars) as well as Scania and Volkswagen Commercial Vehicles (trucks and busses). It sells cheaper vehicles for the mass market as well as premium cars, which are predominantly offered under the Audi, Bentley, Bugatti and Lamborghini brands. In fiscal-year 2011, Volkswagen generated revenues of €159.3bn.
- (3) *Toyota Motor Corp.*: Toyota Motor, which in 2011 was the world's third largest car manufacturer, is a Japanese producer of cars, busses and trucks. The company operates under the brands Toyota, Scion, Daihatsu (all mainly serve the mass car market), Hino (trucks and busses) and Lexus (premium cars). For fiscal-year 2011/12, which ended on 31 March, Toyota Motor reported sales of JPY 18.6tr.
- (4) *Nissan Motor Co. Ltd.*: Nissan Motor, which is based in Japan, was the sixth largest car manufacturer worldwide in 2010. Apart from cars and trucks, the company, in which Renault has hold a stake of 43.5% since 1999, also produces forklifts and boats. Nissan Motor operates under the following brands: Nissan, which mainly sells cheaper vehicles for the mass market, and Infinity, which is the company's premium brand. In fiscal-year 2011, Nissan's total revenues amounted to JPY 9.4tr.

Company	EV/EBITDA		EV/EBIT		P/E		EBITDA margin	Net gearing	P/BVPS
	2012E	2013E	2012E	2013E	2012E	2013E	Latest	Latest	Latest
Daimler (EUR)	7.18x	6.43x	10.32x	9.26x	7.18x	6.44x	14.66%	128.62%	1.03
Volkswagen (EUR)	6.40x	5.77x	11.50x	9.98x	6.04x	5.22x	13.14%	128.79%	0.93
Toyota (JPY)	10.72x	9.21x	20.15x	16.07x	11.12x	8.70x	7.66%	90.81%	1.00
Nissan (JPY)	5.69x	5.15x	10.19x	8.99x	7.52x	6.02x	11.56%	104.35%	1.10
Median	6.79x	6.10x	10.91x	9.62x	7.35x	6.23x	12.35%	116.49%	1.02x
BMW (EUR)	8.39x	8.16x	12.20x	11.91x	7.83x	7.67x	16.30%	212.22%	1.44
Premium/Discount	23.6%	33.7%	11.8%	23.8%	6.5%	23.2%			
Fair value BMW (EUR)	40.77								

Source: Dr. Kalliwoda Research GmbH, Thomson Reuters Knowledge

According to our peer group, BMW currently trades at a significant premium to its peers. In our view, this could be partly explained by the company's above-median profitability and brand value of €19,5bn, which covers 48% of its current market cap.

4 Q1/12 financial results and outlook

Revenues

In Q1/12, BMW generated total sales of €18.3bn, which were 14.1% higher y-o-y. Between January and March, the company was able to increase its auto sales by 11.2% y-o-y to 426k and motorcycle sales by 7.8% y-o-y to 27k units. Within the automobile segment, sales of BMW cars increased by 11% y-o-y to 357k, MINI by 12.1% y-o-y to 68k and Rolls-Royce by 6.2% to 770 units.

With 91k and 82k units sold respectively, the 3 Series and 5 Series remained BMW's most popular cars. The best performing models in Q1/12 were however BMW 6 (+489.5% to 4,651 units), BMW X3 (+55.3% to 35k units) and the MINI Countryman (+36.8% to 22k units).

2011 results vs. previous year

in EURbn	Q1 2012	Q1 2011	Q1/12 vs Q1/11
Net sales	18.29	16.04	14.1%
EBITDA	3.00	2.68	12.0%
<i>EBITDA margin</i>	16.4%	16.7%	
EBIT	2.13	1.80	18.8%
<i>EBIT margin</i>	11.7%	11.2%	
Net income	1.35	1.14	18.1%
<i>Net margin</i>	7.4%	7.1%	

Source: Company data, Dr. Kalliwoda Research GmbH

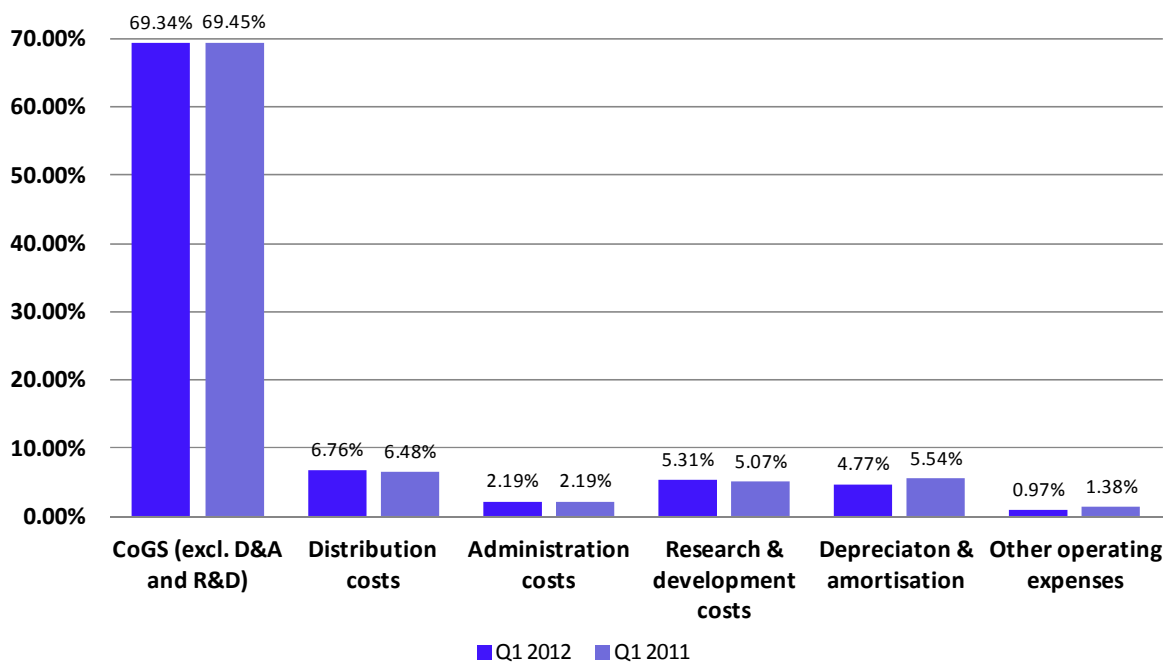
Sales split Q1/12 vs. previous year

in EURbn	Q1 2012	Q1 2011
Automobiles	13.45	11.90
(% of net sales)	73.5%	74.2%
Units sold (in k)	426	383
Motocycles	0.44	0.39
(% of net sales)	2.4%	2.4%
Units sold (in k)	27	25
Financial services	4.41	3.75
(% of net sales)	24.1%	23.4%
Total net sales	18.29	16.04

Source: Company data, Dr. Kalliwoda Research GmbH

Profitability

Share in sales Q1/12 vs. Q1/11



Source: Company data, Dr. Kalliwoda Research GmbH

Although gross margins deteriorated in all segments, BMW's EBIT and net income in Q1/12 increased more than sales. The reasons were a lower share of D&A (4.8% vs. 5.5% in Q1/11) and other operating expenses (1% vs. 1.4%) y-o-y as well as a better net financial result (€-56m vs. €-90m).

Balance Sheet and Cash Flow

As of 31 March 2012, the most important positions on BMW's balance sheet were financial liabilities of €67.1bn, which comprise bonds, bank debt and deposits of the BMW Bank among others, receivables from financial services of €488bn, which stem from credit and finance lease contracts with customers, and equity of €28.5bn. The equity ratio amounted to 22.7% and the net gearing to 212.2%.

In Q1/12, BMW generated an operating cash flow of €2.3bn (Q1/11: €2.1bn), which improved y-o-y together with net income. Although the cash outflow from investing went up from €443m to €967m, the company's liquid funds position increased since December 2011 by €1.9bn due to a cash inflow from financing of €266m. At the end of March 2012, BMW's cash position (incl. marketable securities and investment funds) amounted to €12bn.

Outlook

After very strong Q1/12 results, we remain optimistic about BMW's development in the remaining quarters of 2012, although we also see risks in particular from uncertainty relating to the debt crisis in Southern Europe and its potential effects on customer demand. In our view, BMW's results will also depend on how emerging markets, especially China, manage to maintain their high growth rates from the recent past.

We believe that BMW has a strong competitive advantage compared to its peers as its cars are relatively young with an average model age of c. 2.4 years, it has a strong reputation for technological excellence and quality and it is the leader in the premium segment in Germany, North America and China, which are considered the most important car markets worldwide. For the top-line, we see growth potential coming from especially the emerging countries and new cars such as the 3 Series (on the market from February 2012), MINI Paceman (from March 2012), 6 Series Grand Coupe (due in June 2012), 7 Series (from July 2012), and the i3 & i8 (from 2013 and 2014 respectively), BMW's first electric vehicles. However, for the bottom-line, we believe that there are risks such as increasing R&D expenses, high marketing costs for new models and price competition, which could in our opinion offset the positive effect on margins from more cost-efficient purchasing and standardisation of components.

Our forecasts

in EURbn	2012E	2013E	2014E
Net sales	72.25	76.66	81.12
EBITDA	12.07	12.43	12.99
<i>EBITDA margin</i>	16.7%	16.2%	16.0%
EBIT	8.31	8.51	8.92
<i>EBIT margin</i>	11.5%	11.1%	11.0%
Net income	5.23	5.33	5.60
<i>Net margin</i>	7.2%	7.0%	6.9%

Source: Dr. Kalliwoda Research GmbH

Sales split according to segments and regions

in EURbn	2012E	2013E	2014E
Automobiles	54.30	58.21	62.17
<i>(% of net sales)</i>	75.2%	75.9%	76.6%
<i>Units sold (in k)</i>	1,754	1,880	2,008
Motocycles	1.88	2.00	2.13
<i>(% of net sales)</i>	2.6%	2.6%	2.6%
<i>Units sold (in k)</i>	150	160	170
Financial services	16.07	16.44	16.82
<i>(% of net sales)</i>	22.2%	21.4%	20.7%
Total net sales	72.25	76.66	81.12
Germany	13.43	14.17	14.91
<i>(% of net sales)</i>	18.6%	18.5%	18.4%
Rest of Europe	21.88	23.12	24.37
<i>(% of net sales)</i>	30.3%	30.2%	30.0%
North America	13.44	14.18	14.85
<i>(% of net sales)</i>	18.6%	18.5%	18.3%
Asia/Oceania	20.62	22.27	23.99
<i>(% of net sales)</i>	28.5%	29.1%	29.6%
Other markets	2.89	2.91	3.00
<i>(% of net sales)</i>	4.0%	3.8%	3.7%

Source: Dr. Kalliwoda Research GmbH

Our 2012 estimates for BMW are below the current Reuters consensus (€73.9bn) on the top-line and bottom-line (€5.3bn) as we remain cautious in terms of the development of consumer demand. We would like to emphasize that BMW suffers particularly strongly in economically difficult times as the share of corporate clients in its sales amounts to c. 30% (KRe)

In line with company guidance for 2012, we forecast a single-digit increase of car unit sales (KRe: +5.1% y-o-y) and due to a relatively high number of new models a stronger growth of motorcycle sales (KRe: +31.7% y-o-y). We believe that BMW's guidance for an EBIT margin of 8-10% in the auto segment is very conservative.

In 2013 and 2014, we expect higher growth rates due to better economic conditions. However, margins should trend downwards due to increasing competition. If oil prices remain at a high level, there could also be a negative effect on the demand for bigger cars such as the BMW 7 Series or X5, which usually generate the highest margins.

5 Business description

The BMW Group, which is one of the 30 biggest companies on the Frankfurt Stock Exchange, is a manufacturer of automobiles and motorcycles. Its most important markets are the US and Germany, which together accounted for c. 37% of its sales in 2011. China, where in 2011 BMW generated 14% of its sales, is its most profitable market with an estimated EBIT margin of c. 15%. The reason is that BMW sells much more high-margin luxury cars (e.g. 7 Series, X5, X6) there than in other markets.

BMW's business is divided into three operating segments: Automobiles, Motorcycles and Financial Services. In 2011, the Automobiles segment had external sales of €51.7bn and generated an operating margin of 11.8%. The BMW Group sells cars under the brands BMW, MINI and Rolls-Royce. The company's most popular models are the 1 Series, whose new version was introduced in 2011, the 3 Series (Sedan version on the market since February 2012) and the 5 Series. Other models include the 6 Series, 7 Series, the Z4 roadster; the sports utility vehicles X3, X5 and X6 and the M series e.g. M3, M5 and M6.

The Motorcycles segment comprises the brands BMW and Husquarna, which BMW bought in 2007 from Italian company Cagiva. In 2011, Motorcycles had external revenues of €1.4bn and generated an operating margin of 3.1%.

The Financial Services segment comprises all of BMW's financing activities, especially its credit and leasing business. The company also operates an own bank, the BMW Bank. In 2011, Financial Services generated external sales of €157bn and a margin of 10.1%.

Sales split and production volumes 2009-2011

in EURbn	2011	2010	2009
Automobiles	51.68	44.22	31.67
<i>(% of net sales)</i>	75.1%	73.1%	62.5%
<i>Units sold (in k)</i>	1,669	1,461	1,286
Motocycles	1.43	1.29	0.74
<i>(% of net sales)</i>	2.1%	2.1%	1.5%
<i>Units sold (in k)</i>	114	110	100
Financial services	15.71	14.97	18.27
<i>(% of net sales)</i>	22.8%	24.7%	36.1%
Total net sales	68.82	60.48	50.68
Germany	12.86	11.21	11.44
<i>(% of net sales)</i>	18.7%	18.5%	22.6%
Rest of Europe	20.96	18.58	16.99
<i>(% of net sales)</i>	30.5%	30.7%	33.5%
North America	12.91	12.97	11.72
<i>(% of net sales)</i>	18.8%	21.4%	23.1%
Asia/Oceania	19.22	14.78	8.50
<i>(% of net sales)</i>	27.9%	24.4%	16.8%
Other markets	2.89	2.95	2.04
<i>(% of net sales)</i>	4.2%	4.9%	4.0%

Source: Company data, Dr. Kalliwoda Research GmbH

6 Market environment

In 2011, the global automotive industry grew by 3.4% y-o-y to 75m units. While sales in Europe fell by 3% to 13m units, China and the US advanced by 3.5% to 17.6m and 10% to 12.8m units respectively.

Due to the earthquake in Q1 and resulting production interruptions the volume of the Japanese car market in 2011 decreased by 16% y-o-y to 4.1m units. In the same time, motorcycle sales declined by 6.9% y-o-y. The global motorcycle market went down only by 3.9% y-o-y due to robust demand in Germany, France, US and Brazil.

For 2012, BMW expects that the global auto market will grow at a rate of 4%, however with large regional differences. China, which is the largest auto market worldwide, should exhibit a growth rate of 8% due to continuously strong economic data and still low car ownership rates (e.g. in Brazil there are three times more cars per 1000 inhabitants). The premium segment has a particularly high growth potential in China as its share amounts to only c. 7% vs. c. 18% in Western Europe and c. 12% in the US.

Other markets, which should spur growth of the global automotive industry, are Japan and the US. For Japan, BMW expect a y-o-y growth rate of more than 15%, mainly due to the low base in 2011 resulting from the earthquake and resulting production interruptions. The US auto market is expected to advance by 10% y-o-y, following a recovery of the job market and better economic conditions. According to Automotive News, the 12.8m sold cars, which were registered in the US in 2011, are still significantly below the average yearly rate of 16-17m from the period 1999-2006.

Due to the debt crisis in countries such as Greece, Spain and Italy and the resulting economic uncertainty BMW forecasts that the automotive industry in Europe will contract by 7% in 2012. While German auto sales are expected to remain stable y-o-y, in UK, France, Spain and Italy they are forecast to go down.

For motorcycle sales, BMW expects a similar development as in case of automobiles. While sales volumes in Europe as a whole should decline, in other regions they are expected to grow y-o-y.

7 Profit and loss statements

Profit and loss statement - BMW AG						
Figures in EURbn	Fiscal year					
	2008	2009	2010	2011	2012E	2013E
Revenue split						
Germany	10.74	11.44	11.21	12.86	13.43	14.17
Rest of Europe	20.69	16.99	18.58	20.96	21.88	23.12
North America	12.46	11.72	12.97	12.91	13.44	14.18
Asia/Oceania	7.52	8.50	14.78	19.22	20.62	22.27
Other markets	1.78	2.04	2.95	2.89	2.89	2.91
Total revenues	53.20	50.68	60.48	68.82	72.25	76.66
CoGS (excl. D&A and R&D)	-40.65	-39.17	-42.60	-47.01	-49.43	-52.52
Gross profit	12.55	11.52	17.88	21.81	22.82	24.14
Other operating income	1.43	0.81	0.77	0.78	0.80	0.81
Distribution costs	-4.05	-3.65	-4.02	-4.55	-4.78	-5.07
Administration costs	-1.32	-1.39	-1.51	-1.62	-1.70	-1.81
Research & development costs	-2.83	-2.59	-3.08	-3.61	-3.79	-4.02
Depreciation & amortisation	-3.68	-3.60	-3.86	-3.65	-3.76	-3.92
Other operating expenses	-1.19	-0.80	-1.06	-1.13	-1.27	-1.63
EBIT	0.92	0.29	5.11	8.02	8.31	8.51
Net financial result	-0.57	0.12	-0.26	-0.64	-0.80	-0.85
EBT	0.35	0.41	4.85	7.38	7.51	7.66
Income taxes	-0.02	-0.20	-1.61	-2.48	-2.25	-2.30
Minorities	-0.01	-0.01	-0.02	-0.03	-0.03	-0.03
Net income / loss	0.32	0.20	3.23	4.88	5.23	5.33
EPS	0.49	0.31	4.93	7.45	7.98	8.14
DPS	0.30	0.30	1.30	2.30	2.39	2.44
Change y-o-y						
Total revenues	n.a	-4.73%	19.33%	13.80%	4.99%	6.09%
CoGS (excl. D&A and R&D)	n.a	-3.64%	8.77%	10.35%	5.14%	6.25%
Gross profit	n.a	-8.25%	55.23%	22.01%	4.66%	5.76%
Other operating income	n.a	-43.42%	-5.20%	2.09%	2.00%	2.00%
Distribution costs	n.a	-9.88%	10.23%	13.28%	4.99%	6.09%
Administration costs	n.a	5.37%	8.33%	7.55%	4.99%	6.09%
Research & development costs	n.a	-8.42%	19.13%	17.13%	4.99%	6.09%
Depreciation & amortisation	n.a	-1.99%	7.16%	-5.36%	3.01%	4.06%
Other operating expenses	n.a	-32.27%	31.59%	6.99%	12.53%	27.60%
EBIT	n.a	-68.62%	1668.51%	56.88%	3.63%	2.40%
Net financial result	n.a	-121.75%	-308.06%	146.12%	25.98%	6.25%
EBT	n.a	17.66%	1075.06%	52.13%	1.71%	1.99%
Income taxes	n.a	866.67%	693.10%	53.79%	-9.02%	1.99%
Minorities	n.a	0.00%	166.67%	62.50%	4.99%	6.09%
Net income / loss	n.a	-37.04%	1481.86%	51.26%	7.13%	1.97%
EPS	n.a	-36.73%	1490.32%	51.12%	7.13%	1.97%
DPS	n.a	0.00%	333.33%	76.92%	4.11%	1.97%
Share in total revenues						
Total revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
CoGS (excl. D&A and R&D)	-76.41 %	-77.28 %	-70.44 %	-68.31 %	-68.41 %	-68.51 %
Gross profit	23.59 %	22.72 %	29.56 %	31.69 %	31.59 %	31.49 %
Other operating income	2.68 %	1.59 %	1.27 %	1.14 %	1.10 %	1.06 %
Distribution costs	-7.61 %	-7.20 %	-6.65 %	-6.62 %	-6.62 %	-6.62 %
Administration costs	-2.49 %	-2.75 %	-2.50 %	-2.36 %	-2.36 %	-2.36 %
Research & development costs	-5.31 %	-5.10 %	-5.10 %	-5.25 %	-5.25 %	-5.25 %
Depreciation & amortisation	-6.91 %	-7.11 %	-6.38 %	-5.31 %	-5.21 %	-5.11 %
Other operating expenses	-2.23 %	-1.59 %	-1.75 %	-1.64 %	-1.76 %	-2.12 %
EBIT	1.73 %	0.57 %	8.45 %	11.65 %	11.50 %	11.10 %
Net financial result	-1.07 %	0.24 %	-0.43 %	-0.92 %	-1.11 %	-1.11 %
EBT	0.66 %	0.81 %	8.02 %	10.73 %	10.39 %	9.99 %
Income taxes	-0.04 %	-0.40 %	-2.66 %	-3.60 %	-3.12 %	-3.00 %
Minorities	-0.01 %	-0.01 %	-0.03 %	-0.04 %	-0.04 %	-0.04 %
Net income / loss	0.61 %	0.40 %	5.34 %	7.09 %	7.24 %	6.96 %

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8 Balance sheets

Balance sheet - BMW AG						
Figures in EURbn	Fiscal year					
	2008	2009	2010	2011	2012E	2013E
Assets						
Inventories	7.29	6.56	7.77	9.64	9.93	10.34
Trade receivables	2.31	1.86	2.33	3.29	3.45	3.66
Receivables from sales financing	15.87	17.12	18.24	20.01	21.01	22.29
Financial assets	2.65	1.57	3.26	3.75	3.94	4.18
Current tax	0.00	0.00	1.17	1.19	1.25	1.33
Deferred tax assets	0.60	0.95	0.00	0.00	0.00	0.00
Other assets	1.84	2.48	2.96	3.35	3.51	3.73
Securities	0.65	1.65	0.00	0.00	0.00	0.00
Cash & cash equivalents	7.45	7.77	7.43	7.78	7.15	4.36
Current assets	38.67	39.94	43.15	49.00	50.25	49.89
Property, plant and equipment	11.29	11.39	11.43	11.69	11.89	12.09
Leased assets	19.52	17.97	19.09	23.11	24.05	25.28
Shareholdings at-equity	0.11	0.14	0.21	0.30	0.32	0.34
Other financial assets	0.32	0.23	0.18	0.56	0.59	0.62
Receivables from sales financing	22.19	23.48	27.13	29.33	30.43	31.90
Financial assets	1.81	1.52	1.87	1.70	1.79	1.90
Deferred tax assets	0.87	1.27	1.39	1.93	0.36	0.00
Other assets	0.66	0.64	0.69	0.57	0.60	0.63
Intangible assets	5.64	5.38	5.03	5.24	5.50	5.83
Non-current assets	62.42	62.01	67.01	74.43	75.51	78.60
Total assets	101.09	101.95	110.16	123.43	125.76	128.48
Liabilities						
Other provisions	2.13	2.06	2.83	3.10	3.26	3.46
Current tax liabilities	0.63	0.84	1.20	1.36	1.43	1.52
Financial liabilities	29.89	26.93	26.52	30.38	30.18	29.98
Trade payables	2.56	3.12	4.35	5.34	5.61	5.97
Other liabilities	4.08	3.97	5.24	7.03	7.38	7.83
Current liabilities	39.29	36.92	40.13	47.21	47.86	48.75
Pension provisions	3.31	2.97	1.56	2.18	2.29	2.43
Other provisions	2.76	2.71	2.72	3.15	3.31	3.51
Deferred tax liabilities	2.76	2.77	3.40	3.27	1.70	0.10
Financial liabilities	30.50	34.39	35.83	37.60	36.75	35.90
Other liabilities	2.20	2.28	2.58	2.91	3.06	3.24
Long-term liabilities	41.53	45.12	46.10	49.11	47.11	45.18
Total liabilities	80.81	82.04	86.23	96.33	94.97	93.93
Shareholder's equity	20.27	19.92	23.90	27.04	30.70	34.43
Minority interests	0.00	0.00	0.03	0.07	0.09	0.12
Total equity and liabilities	101.09	101.95	110.16	123.43	125.76	128.48

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9 Cash flow statements

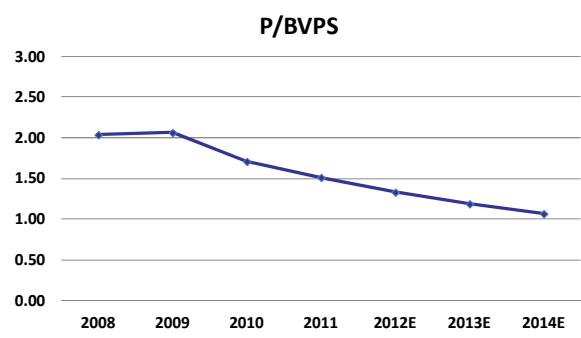
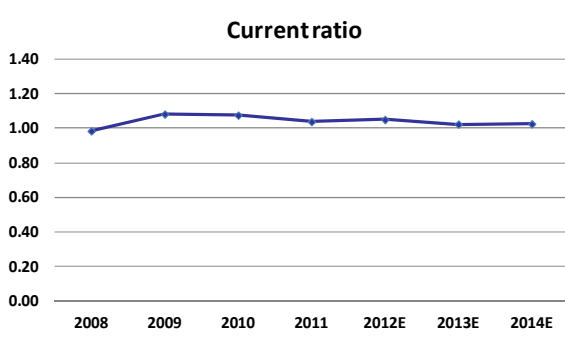
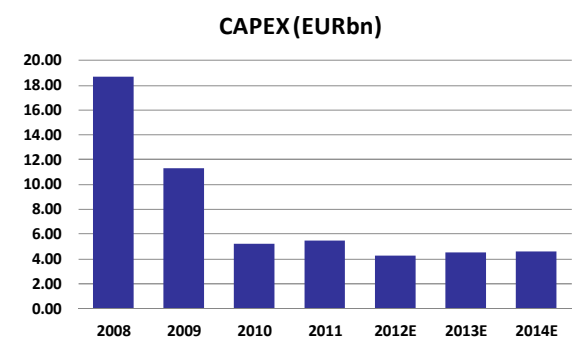
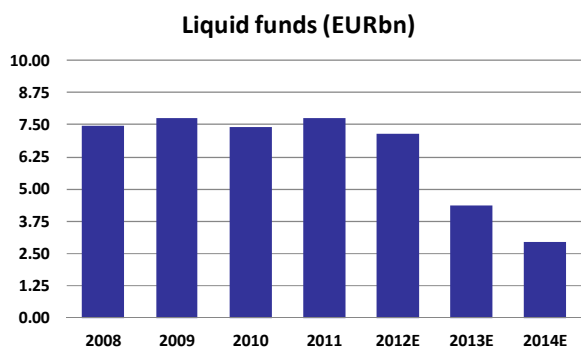
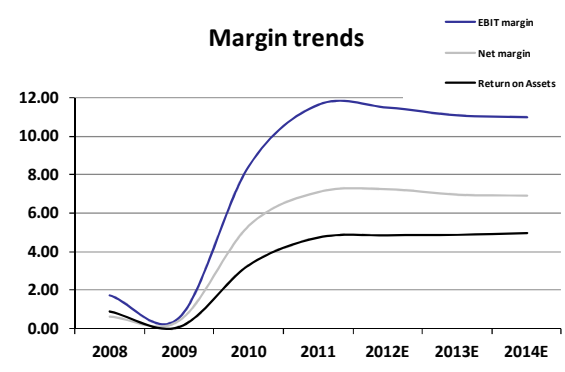
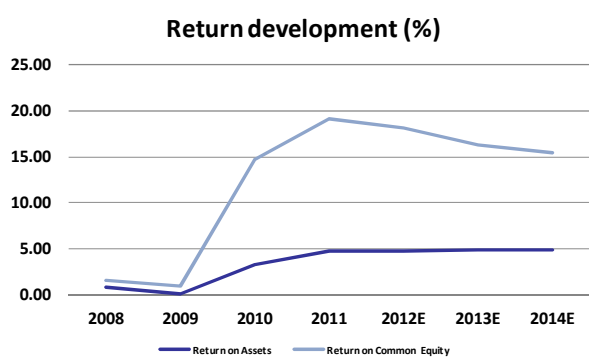
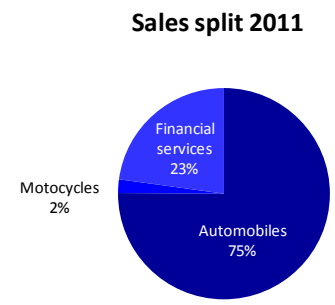
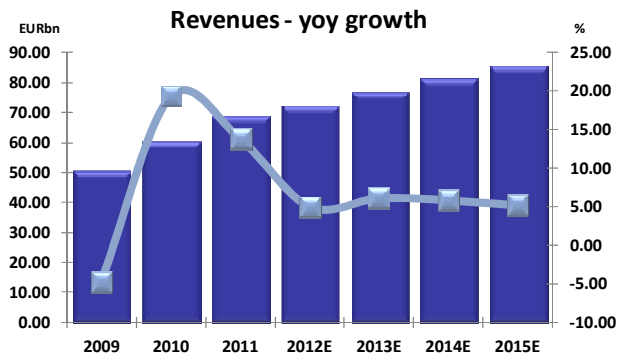
Cash flow statement - BMW AG						
Figures in EURbn	Fiscal year					
	2008	2009	2010	2011	2012E	2013E
Net income	0.32	0.20	3.23	4.88	5.23	5.33
Depreciation	3.68	3.60	3.86	3.65	3.76	3.92
Change of working capital	-1.10	1.93	-0.40	-1.62	-3.03	-4.00
Others	7.97	4.53	-2.37	-1.21	0.31	-0.84
Net operating cash flow	10.87	10.27	4.32	5.71	6.28	4.40
Cash flow from investing	-18.65	-11.33	-5.19	-5.50	-4.25	-4.49
Free cash flow	-7.78	-1.06	-0.87	0.21	2.03	-0.09
Cash flow from financing	12.90	1.35	0.51	0.09	-2.65	-2.70
Change in cash	5.06	0.31	-0.34	0.34	-0.63	-2.78
Cash, start of the year	2.39	7.45	7.77	7.43	7.78	7.15
Cash, end of the year	7.45	7.77	7.43	7.78	7.15	4.36

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10 Financial ratios

Fiscal year	2008	2009	2010	2011	2012E	2013E	2014E	2015E
Gross margin	23.59%	22.72%	29.56%	31.69%	31.59%	31.49%	31.39%	31.29%
EBITDA margin	8.64%	7.68%	14.84%	16.96%	16.71%	16.21%	16.01%	15.86%
EBIT margin	1.73%	0.57%	8.45%	11.65%	11.50%	11.10%	11.00%	10.95%
Net margin	0.61%	0.40%	5.34%	7.09%	7.24%	6.96%	6.91%	6.89%
Return on equity (ROE)	1.60%	1.02%	14.73%	19.16%	18.11%	16.37%	15.40%	14.54%
Return on assets (ROA)	0.88%	0.08%	3.29%	4.72%	4.84%	4.86%	4.96%	5.01%
Return on capital employed (ROCE)	1.40%	0.23%	4.88%	6.99%	7.47%	7.47%	7.50%	7.51%
Net debt (in EURm)	52.94	53.32	53.22	58.63	58.13	59.77	60.04	59.64
Net gearing	261.13%	267.71%	222.65%	216.85%	189.36%	173.58%	156.55%	140.44%
Equity ratio	20.06%	19.53%	21.70%	21.91%	24.41%	26.80%	28.85%	30.87%
Current ratio	0.98	1.08	1.08	1.04	1.05	1.02	1.03	1.04
Quick ratio	0.33	0.35	0.32	0.31	0.30	0.25	0.23	0.22
Net interest cover	1.62	-2.33	19.81	12.63	10.39	10.01	10.20	10.38
Net debt/EBITDA	11.52	13.70	5.93	5.02	4.81	4.81	4.62	4.41
Book value per share	30.66	30.26	36.52	41.27	46.86	52.55	58.54	64.82
CAPEX/Sales	n.a	6.74%	5.96%	5.80%	5.89%	5.85%	5.72%	5.56%
Working capital/Sales	116.08%	121.42%	112.25%	110.71%	109.64%	108.56%	107.49%	106.42%
EV/Sales	1.91	2.00	1.68	1.47	1.40	1.32	1.25	1.19
EV/EBITDA	22.06	26.05	11.30	8.69	8.40	8.16	7.81	7.49
EV/EBIT	110.09	350.85	19.84	12.65	12.20	11.92	11.36	10.85
P/BVPS	2.04	2.06	1.71	1.51	1.33	1.19	1.07	0.96
P/E	127.47	201.48	12.67	8.38	7.83	7.67	7.30	6.96
P/FCF	-5.26	-38.72	-46.98	191.22	20.20	-478.93	30.29	19.40

Source: Company data, Dr. Kalliwoda Research GmbH



Source: Company data, Dr. Kalliwoda Research GmbH

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Analyst of this research:
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