

Global Autos: Discerning the Capex Cycle

The Global Automobiles industry has faced significant downward pressure on EVA Fundamentals (**Figure 1**) since aggregate economic profitability rolled over and turned negative in early 2024. All three underlying EVA drivers (**Figure 2**) have moved unfavorably over the last five quarters: deteriorating top-line growth that turned negative in Q4 last year, worsening asset efficiency, and a contracting EBITDAR Margin that is currently around the lowest levels since 2020. As a result, EVA Momentum (incremental EVA growth) has deteriorated to the lowest level since the GFC, at -2.1%.

Tariff-related uncertainties have dampened the global industry outlook, while [EV price wars in China](#) have threatened to further weaken the industry's already pressured Profitability. In this note, we take a bottom-up view to discern how capex trends are taking shape in the industry. We look at which names have a more leveraged balance sheet at this stage, reflected by a worse R2 Vulnerability Score (higher is unfavorable), and whether increased investment has translated into a recovery in top-line growth so far.

Figure 1: EVA Fundamentals – Global Autos

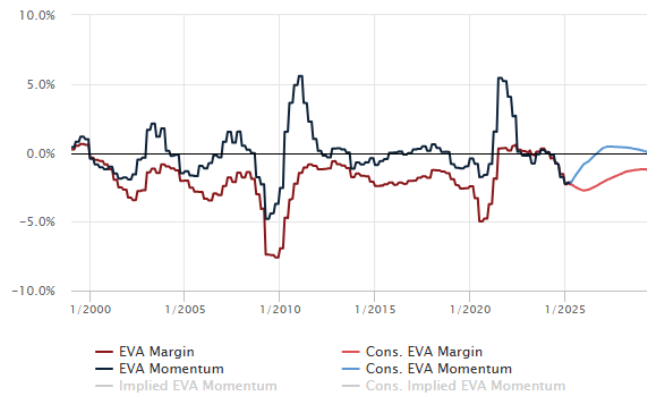
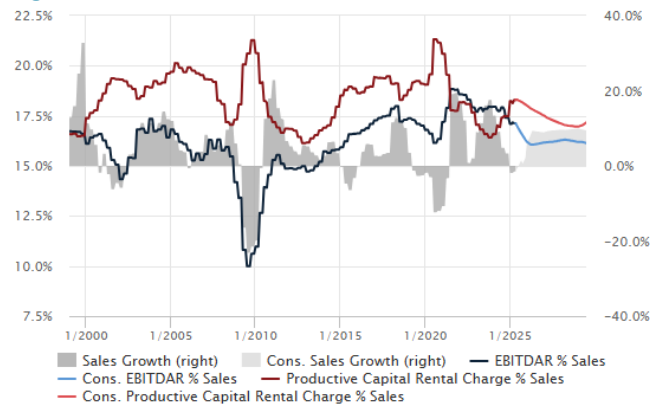


Figure 2: EVA Drivers – Global Autos



As seen in the table on the following page, Chinese firms in aggregate have the strongest returns year-to-date, with the firms also having an attractive average PRVit Score of 68, driven by strong Risk-Adjusted Profitability. High Quality (P-R) for the region is supported by a favorable R2 Score, reflecting a relatively strong financial position for Chinese auto names, on a sales-weighted basis. At a time when growth is scarce in the industry, investors have broadly favored a Quality-tilt, seeking out EVA growth at the cost of higher Valuations.

Key Summary

- In this report we focus on net new investment through the EVA-Adjusted PP&E Expenditures and see which companies had been investing before the Tariff announcements and have a greater risk of a production mismatch than they did prior to the announcement on U.S. Tariffs. We combine this with looking at the financial health of the firms through our Vulnerability measure looking at cash flow and indebtedness.

EVA Primer

- EVA measures the true economic profit of a business after compensating shareholders for use of their capital and is therefore superior to standard accounting measures.
- The value of a company is the capital invested plus the present value of future EVA generation. The math is like a DCF: $\text{Market Value} = \text{Capital} + \text{PV}(\text{EVA})$.
- Therefore, more Economic Value Added (EVA) is better.

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Visit our website www.EVAexpress.com

Autos Industry by Region (Sales-Weighted)

Region	EVA Margin (%)	EVA Momentum (%)	PP&E TFQ Trend (8 Qtrs)	PRVit Score	Quality (P-R)	Profitability Score (P)	R2 Vulnerability	Valuation Score (V)	Share Price Performance Ytd (%)	ESG Performance Score
United States	-1.5%	-0.4%		47	37	47	42	29	-2.1%	54.50
Europe	-4.6%	-4.3%		30	17	26	59	7	-2.0%	54.75
China	-0.1%	1.5%		68	60	66	36	45	8.3%	30.63
Asia ex China	-1.1%	-1.6%		37	41	50	52	20	-7.8%	43.85

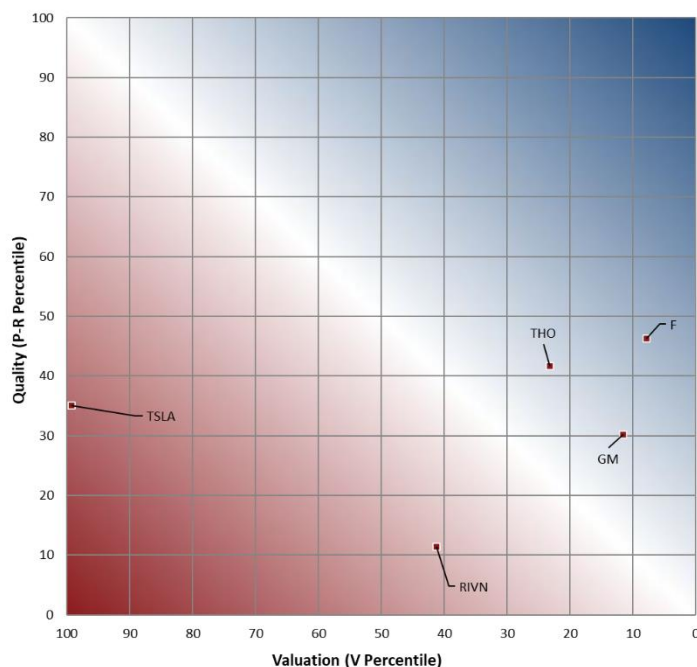
U.S. Automobile Manufacturers

Top-line growth has been pressured for U.S. auto companies over the last two years, but the incumbents (**F** and **GM**) have been able to maintain higher growth than their EV-first counterparts as of the quarter ending March. Both the firms also have a lower Valuation score at this stage. All firms in the cohort have low to moderate Risk-Adjusted Profitability, with **F** scoring the highest, supported by a very low R2 Vulnerability score.

TSLA has seen a slowdown in PP&E investments in the recent quarters at a time when top-line growth has deteriorated to 1%, on a trailing-four-quarters basis. Even after the reduction in new investment, PP&E as a % of Sales for the firm was significantly higher than that of **GM** and **F** in the latest reported quarter.

GM and **F** have seen similar trends in PP&E investment, both seeing an increase in the last couple of quarters at a time when Sales growth has been contracting for 2 years for **F**. **F** has been spending around 55% of the level of **GM** as a percentage of sales, at 4.3% compared to **GM**'s 7.8% as of the latest quarter. **F** is the most attractive U.S. auto manufacturer from a PRVit perspective and has been the best performer on a YTD basis. The firm has positive EVA Momentum (growth) as of the latest quarter, reflecting positive incremental value creation and a very low R2 Vulnerability score (lower is better), which exhibits the firm's favorable financial position. **RIVN** has the highest spending on PP&E as a % of Sales, at 25%. EVA Momentum also turned positive for the firm in March.

Name	Ticker	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PP&E TFQ Trend (8 Qtrs)	PP&E as % of Sales (TFQ - Current)	Sales Growth Rate (TFQ - Current)	PRVit Score	Quality (P-R)	Profitability Score (P)	R2 Vulnerability	Valuation Score (V)	Share Price Performance Ytd (%)	ESG Performance Score
TESLA INC	TSLA	1,194,565	2.7%	-2.1%		13.8%	1.0%	2	35	50	53	99	-14.2%	60.32
GENERAL MOTORS CO	GM	47,923	-2.8%	-0.5%		7.8%	7.8%	47	30	44	57	12	-6.0%	52.50
FORD MOTOR CO	F	41,277	-0.2%	0.3%		4.3%	2.1%	74	46	51	20	8	9.4%	54.39
RIVIAN AUTOMOTIVE INC	RIVN	16,927	-84.4%	9.9%		25.0%	0.6%	7	11	20	72	41	9.3%	44.98
THOR INDUSTRIES INC	THO	4,320	-2.2%	-1.1%		1.0%	-8.5%	49	42	26	6	23	-14.1%	42.42



GM is in the 'Attractive Value' HEAT Map zone.

F demonstrates moderate Quality, coupled with very cheap Valuation.

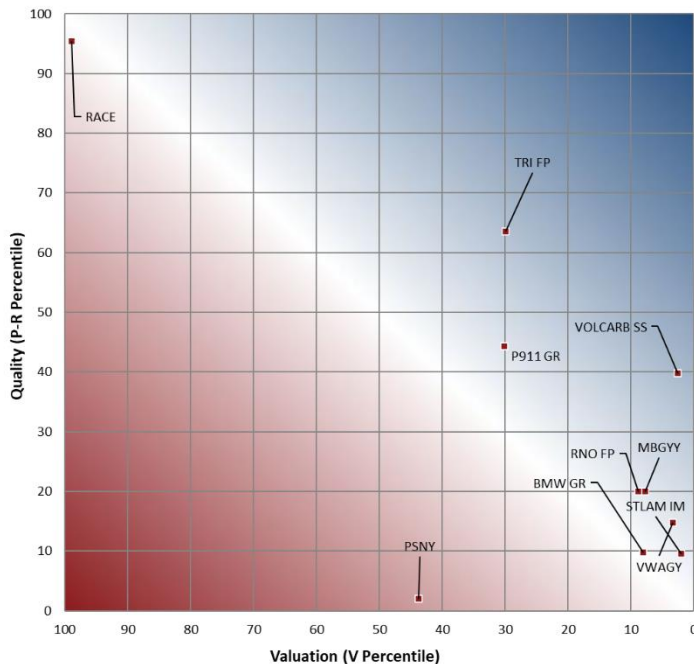
European Automobile Manufacturers – Top 10 Largest

Large cap European names (table shown below) have ramped up investments over the last 8 quarters, with the top four firms investing around 10% of Sales on PP&E within the latest reported quarter.

RACE, the largest European name in the list, has been the strongest performer YTD. The firm has seen an improvement in top-line growth as of the latest reported quarter after a sustained slowdown since Q3 2023. The firm has maintained a strong EVA Margin since 2021, and the firm has been investing between 8% to 12% of Sales on an annualized basis.

STLAM IM has seen PP&E investments continue to trend higher, but the firm is yet to see a recovery in EVA Fundamentals, with sales growth collapsing to -17% as of the quarter ending December 2024. The company has a high R2 Score of 70, reflecting the firm's relatively high leverage position.

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PP&E TFQ Trend (8 Qtrs)	PP&E as % of Sales (TFQ - Current)	Sales Growth TFQ Trend (8 Qtrs)	Sales Growth Rate (TFQ - Current)	PRVIt Score	Quality (P-R)	Profitability Score (P)	R2 Vulnerability	Valuation Score (V)	Share Price Performance Ytd (%)	ESG Performance Score
FERRARI NV	RACE	Italy	85,316	13.7%	0.8%		8.7%		5.7%	25	95	92	35	99	12.7%	49.84
MERCEDES BENZ GROUP AG -ADR	MBGYY	Germany	57,461	-5.8%	-4.9%		10.8%		-11.1%	31	20	26	43	8	5.7%	56.84
BAYERISCHE MOTOREN WERKE AKT	BMW GR	Germany	56,260	-6.7%	-4.6%		9.2%		-11.0%	18	10	18	60	8	4.3%	56.58
VOLKSWAGEN AG -ADR	VWAGY	Germany	54,793	-5.4%	-2.8%		11.0%		-4.6%	29	15	25	64	3	7.1%	55.30
DR ING H C F PORSCHE AG	P911 GR	Germany	43,892	4.0%	-4.1%		4.1%		-0.1%	38	44	55	55	30	-23.4%	55.04
STELLANTIS NV	STLAM IM	Netherlands	29,303	-2.4%	-7.6%		5.7%		-17.2%	33	10	20	70	2	-23.4%	52.48
RENAULT SA	RNO FP	France	15,228	-8.8%	-2.8%		5.0%		7.4%	24	20	20	57	9	1.1%	52.33
VOLVO CAR AB PUBL	VOLCARB SS	Sweden	5,402	0.4%	-0.5%		7.8%		-2.6%	67	40	48	40	3	-27.5%	56.29
TRIGANO SA	TRI FP	France	2,833	4.0%	-2.7%		1.6%		-2.9%	56	64	58	52	30	7.0%	28.02
POLESTAR AUTOMOTIVE HOLDING -ADR	PSNY	Sweden	2,325	-42.4%	-24.8%		14.3%		-22.8%	2	2	1	75	44	4.8%	



RACE is a very high Quality name but at very expensive Valuations, placing it in the 'Overly Expensive Quality' HEAT Map zone.

VOLCARB SS, RNO FP, MBGYY, BMW GR, STLAM IM, and VWAGY lie in the 'Attractive Value' HEAT Map zone, exhibiting relatively low Quality but also available at very low Valuations.

Chinese Automobile Manufacturers – Top 10 Largest

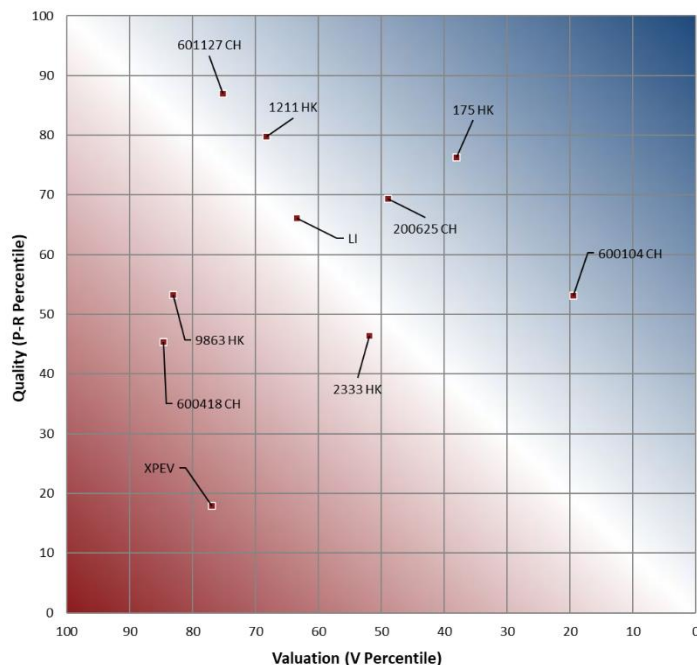
Large cap Chinese firms, on average, look attractive in the PRVIt framework (table on the next page) given strong Risk-Adjusted Profitability, though they trade at a premium level of Valuation. Most firms continue to see strong top-line growth despite some slowdown over the last few quarters.

1211 HK is an 'Expensive but Worth It' name that has seen an acceleration in Sales growth within the last two quarters. The firm has observed a downtrend in PP&E investment over the last eight quarters, but it remains at 11.4% of Sales as of the latest reported quarter, one of the highest in the cohort.

601127 CH has been scaling into prior investment, having seen strong sales growth and a significant improvement in asset efficiency over the last 2 years. Absolute investment has been trending higher in recent quarters but remains at a lower historic level, around

3.2% of sales. **1211 HK** has a moderate R2 Vulnerability score of 44, with a deterioration in FCF generation, while the balance sheet has relatively low leverage at 0.2x Total Debt To EBITDAR. **601127 CH**, the second largest Chinese auto manufacturer, scores more favorably on R2 Vulnerability at 18, given its relatively favorable debt position.

Name	Ticker	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PP&E TFQ Trend (8 Qtrs)	PP&E as % of Sales (TFQ - Current)	Sales Growth TFQ Trend (8 Qtrs)	Sales Growth Rate (TFQ - Current)	PRVIt Score	Quality (P-R)	Profitability Score (P)	R2 Vulnerability	Valuation Score (V)	Share Price Performance Ytd (%)	ESG Performance Score
BYD COMPANY LTD	1211 HK	150,140	5.2%	2.4%		11.4%		33.3%	67	80	95	44	68	44.0%	37.79
SERES GROUP CO LTD	601127 CH	30,860	8.5%	23.5%		3.2%		142.1%	70	87	97	18	75	2.7%	35.10
LI AUTO INC -ADR	LI	30,774	4.8%	-2.7%		10.3%		13.3%	55	66	85	49	63	18.1%	51.15
SAIC MOTOR CORP LTD	600104 CH	26,063	-2.6%	-0.7%		2.4%		-16.6%	86	53	43	12	20	-21.9%	20.16
GREAT WALL MOTOR CO	2333 HK	23,132	0.7%	-0.3%		2.6%		5.6%	41	46	62	53	52	-12.9%	33.55
GEELY AUTOMOBILE HLDGS LTD	175 HK	22,660	3.4%	3.7%		4.2%		30.6%	90	76	91	52	38	16.2%	53.48
XPENG INC -ADR	XPEV	18,379	-13.8%	11.4%		12.0%		47.9%	5	18	32	55	77	63.4%	41.94
CHONG QING CHANGAN AUTOMOBL	200625 CH	14,984	2.4%	-1.8%		2.3%		1.7%	76	69	81	68	49	-7.6%	15.03
ANHUI JIANGHUAI AUTOMOBILE	600418 CH	11,619	-4.0%	-1.5%		7.4%		-11.4%	13	45	45	23	85	2.1%	13.15
ZHEJIANG LEAPMOTOR TECHNO CO	9863 HK	9,446	-4.5%	7.5%		6.6%		90.4%	20	53	72	51	83	66.3%	44.57



1211 HK and **601127 CH** are the largest firms in the cohort, both located in the 'Expensive but Worth It' HEAT Map zone, given their very strong Quality and relatively expensive Valuations.

175 HK has strong Quality at attractive Valuation, putting it in the 'Best of the Best' HEAT Map zone.

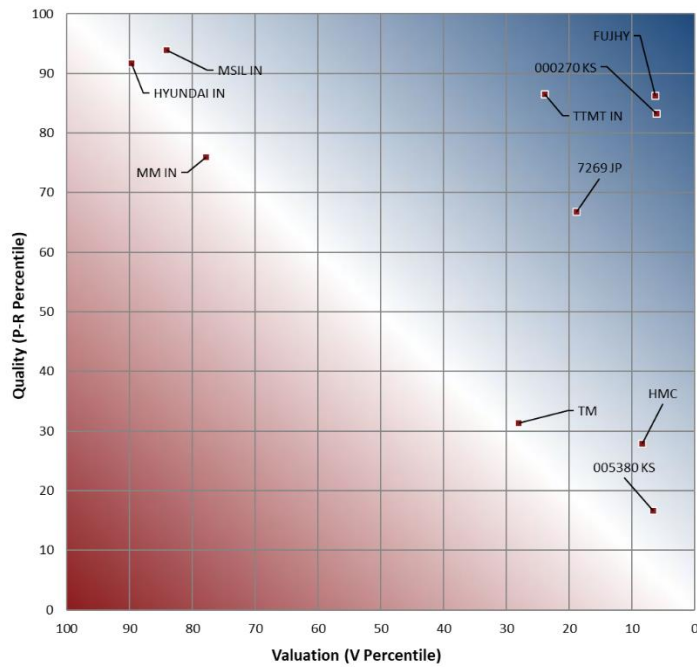
Asia ex China Automobile Manufacturers – Top 10 Largest

The five largest firms in the cohort have seen a noticeable increase (table on the next page) in absolute PP&E investment over the last two years, but PP&E investment as a % of Sales ranges between 4% and 7% as of the latest reported quarter, relatively lower than their peers in other regions. All firms in the list have registered an increase in PP&E, combined with a slowdown in top-line growth over the same period.

TM has maintained investment around 7% to 9% of sales and has seen an improvement in top-line growth through 2025. **MM IN** has been ramping up investment at a time when sales remain relatively strong. However, both firms have a high R2 Score, pulling down their Risk-Adjusted Profitability, making them unattractive from a PRVIt perspective at this stage.

MSIL IN has reduced their incremental PP&E investment as of the latest quarter, after a sustained period of increasing investments. The firm is yet to see a bottoming out of its decelerating sales growth, with management reducing new investment to protect cash flow at a time when sales growth improvement is yet to come through. **MSIL IN** has an attractive R2 Score of 24 (lower is better), reflecting the firm's relatively favorable debt position.

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PP&E TFQ Trend (8 Qtrs)	PP&E as % of Sales (TFQ - Current)	Sales Growth TFQ Trend (8 Qtrs)	Sales Growth Rate (TFQ - Current)	PRVit Score	Quality (P-R)	Profitability Score (P)	R2 Vulnerability	Valuation Score (V)	Share Price Performance Ytd (%)	ESG Performance Score
TOYOTA MOTOR CORP -ADR	TM	Japan	303,292	-1.0%	-1.8%		6.9%		7.6%	15	31	51	72	28	-10.4%	48.86
HONDA MOTOR CO LTD -ADR	HMC	Japan	53,750	-2.8%	-0.8%		6.9%		-4.4%	26	28	41	55	8	-2.2%	51.24
MARUTI SUZUKI INDIA LTD	MSIL IN	India	45,287	5.0%	-0.1%		6.2%		3.9%	56	94	82	24	84	13.5%	44.22
MAHINDRA & MAHINDRA LTD	MM IN	India	43,283	4.5%	0.7%		6.2%		13.5%	33	76	81	67	78	-1.0%	48.18
TATA MOTORS LTD	TTMT IN	India	30,971	3.1%	1.0%		4.8%		-2.0%	95	87	83	12	24	-2.8%	37.72
HYUNDAI MOTOR CO LTD	005380 KS	South Korea	30,008	-5.1%	-2.5%		2.4%		2.4%	36	17	27	64	7	-8.6%	37.23
KIA CORPORATION	000270 KS	South Korea	25,773	5.8%	-0.2%		1.8%		3.1%	98	83	82	16	6	-4.8%	43.12
SUZUKI MOTOR CO LTD	7269 JP	Japan	25,238	2.8%	0.8%		11.3%		3.3%	63	67	75	72	19	4.7%	38.39
HYUNDAI MOTOR INDIA LIMITED	HYUNDAI IN	India	17,550	7.3%	0.5%		7.8%		-1.8%	44	92	95	66	90	2.3%	
SUBARU CORP -ADR	FUJHY	Japan	13,619	5.4%	1.8%		7.8%		3.2%	93	86	90	18	6	-2.7%	41.76



MSIL IN and **HYUNDAI IN** are in the 'Expensive but Worth It' HEAT Map zone. Firms in this zone exhibit strong Quality but trade at relatively expensive Valuations.

FUJHY, **000270 KS**, **TTMT IN**, **7269 JP** are within the 'Best of the Best: High Quality & Cheap' HEAT Map zone.

TM, **HMC**, **005380 KS** are 'Attractive Value' firms that currently have low Quality but also trade at favorable Valuation levels at this stage.

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Key EVA Concepts

The value of a firm = Capital + PV of EVA

If EVA is increasing then the intrinsic value of the firm is too, suggesting that market value should follow (and vice versa).

EVA = NOPAT - Capital Charge

EVA is profit after all costs, including the cost of giving shareholders a decent return.

EVA Margin = EVA / Sales

A true economic profit margin covering income and asset efficiency. Our EVA Income Statement examines EVA's line item drivers and offers key insights into business profitability.

EVA Momentum = Δ EVA / Sales

An incremental EVA growth rate indicator and key valuation signal and screening measure. The more positive the Momentum, the greater the growth in EVA, and upward pressure on shareholder returns. Inflections in EVA Momentum are an early and more reliable indicator of stock price inflections.

EVA Shock = Δ EVA Momentum

Changes in EVA Momentum is a powerful signal within our framework, with significant relationship with stock price performance.

Market Implied Momentum (MIM)

The annual EVA improvement required for 10 years to justify the prevailing market enterprise value, expressed as a percent of sales; represents a market implied, long-range EVA margin improvement target.

Future Growth Reliance (FGR) = (Market implied value of future EVA growth) / EV

Measures the % of a company's total enterprise value represented by expectations for future growth in EVA. FGR is key to understanding embedded expectations today and versus history. A low FGR versus history coupled with improving EVA trends indicates that the market is not pricing in the improving business model.

Additional Resources

evaExpress.com ([link](#)): Our online offering provides a comprehensive suite of fundamental and quantitative tools utilizing the EVA framework

EVA for Investors ([link](#)): A full introduction to the key EVA concepts and metrics

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