EQUITY RESEARCH · ETR: BMW · AUTOMOTIVE — PREMIUM OEM

BMW Group

Premium Brand, Discounted Multiple — A Case for Re-Rating Into the Neue Klasse Cycle

BUY	€59.10	€83.00	+41%
Recommendation	Current Price	DCF Price Target	Implied Upside

A premium OEM priced like a distressed cyclical

01

Tariff-driven margin dip is temporary, not structural

FY2025 Automotive EBIT margin of 5.3% absorbed a ~1.5pt hit from US and EU tariffs; FY2026 guidance of 4–6% still brackets normalized profitability once trade friction settles.

02

Neue Klasse resets the EV cost curve

The new BEV architecture (iX3 now shipping, i3 unveiled) targets the software and battery-cost gap versus Tesla and Chinese entrants — electrified sales grew +18.6% in H1 2025 alone.

03

Priced below both premium and mass-market peers

BMW's implied multiple sits near Volkswagen's distressed 3.8x EV/EBITDA, despite carrying Mercedes-Benz-caliber brand equity (Mercedes trades at 7.4x).

04

Shareholder return underwrites the downside

A 7.3% dividend yield and 5.7x trailing P/E provide a floor while the market waits for tariff and EV-transition uncertainty to clear.

Three brands, one premium mobility platform

B

BMW

Core premium sedans, SUVs & M performance

€117.6bn Automotive segment revenue (FY2025A)

M

MINI

Compact premium & urban EV positioning

Complements BMW's volume mix in Europe & Asia

R

Rolls-Royce

Ultra-luxury halo brand

Protects group-level pricing power and brand ceiling

2.46M

Vehicles delivered, FY2025 (+0.5% YoY)

€133.5bn

Total BMW Group revenue, FY2025A

598.9M

Shares outstanding (post May 2026 share unification)

Source: BMW Group FY2025 results release (press.bmwgroup.com); stockanalysis.com, Aug 2026.

A tougher industry backdrop — but BMW's brand still commands price

INDUSTRY HEADWINDS

- → US and EU tariffs shaved ~1.5pt off FY2025 Automotive EBIT margin; anti-subsidy duties on Chinese-linked supply chains add further cost pressure group-wide.
- → Chinese domestic EV makers (BYD, NIO, Xiaomi) are compressing volume-segment pricing globally, but competition is concentrated below BMW's premium price points.
- → Used-vehicle values are softening across the industry, pressuring residuals on leased fleets — a headwind BMW's FY2026 guidance explicitly flags.

BMW'S OFFSETTING STRENGTHS

- → BMW's average selling price and mix (M performance, xDrive, options) have held up better than mass-market peers through the 2023–2025 demand cooling.
- → Group pre-tax return on sales held near 7.6–7.7% across FY2025, well above high-volume peers pressured into deeper incentive spend.
- → Rolls-Royce and M-division halo effect anchors brand pricing power across the BMW line even as EV competition intensifies.

Source: BMW Group FY2025 & Q3 2025 results releases (press.bmwgroup.com).

Neue Klasse is BMW's answer to the EV cost-and-software gap

What's new: BMW's Neue Klasse platform underpins a new generation of BEVs — led by the iX3, now in strong early demand, with the i3 sedan unveiled as the next model off the architecture. The platform targets faster charging, better range efficiency, and a next-generation software stack.

Why it matters: Electrified vehicle sales grew +18.6% in H1 2025, and BMW is targeting a lineup of 20 electrified/BEV models by the end of 2026 — giving the group multiple model launches to re-accelerate growth as the Automotive segment's near-term margin normalizes.

ROADMAP

- **FY2025**

  iX3 launch; strong early order demand

- **FY2026**

  i3 sedan design premiere; 20-model electrified portfolio target

- **FY2026E**

  Automotive FCF guided >€4.5bn as EV capex cycle plateaus

Source: BMW Group FY2025 results release, press.bmwgroup.com.

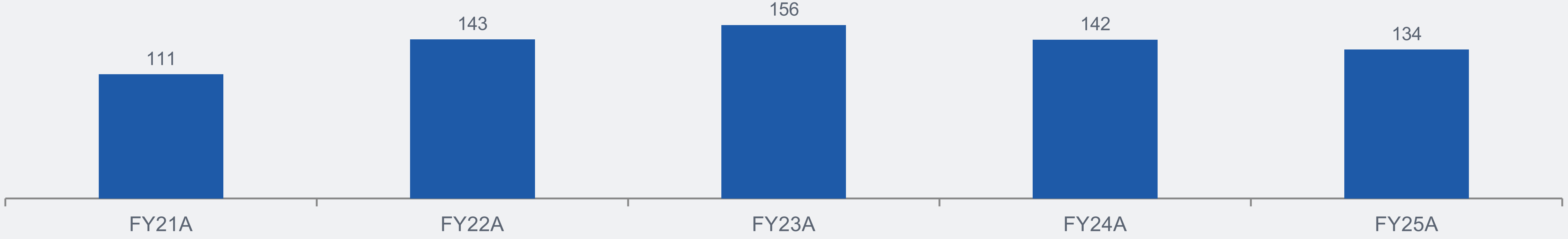
A guided step-down, already reflected in the tape

Metric	FY2025A	FY2026E Guidance
Automotive EBIT Margin	5.3%	4–6%
Deliveries	2.46M (+0.5%)	~Flat YoY
Automotive Free Cash Flow	€3.24bn	>€4.5bn
Automotive Capex (% of revenue)	5.4%	Declining

READ-THROUGH

Guidance brackets FY2025's tariff-depressed margin as the low point, not a new normal — the setup for a re-rating once trade policy stabilizes.

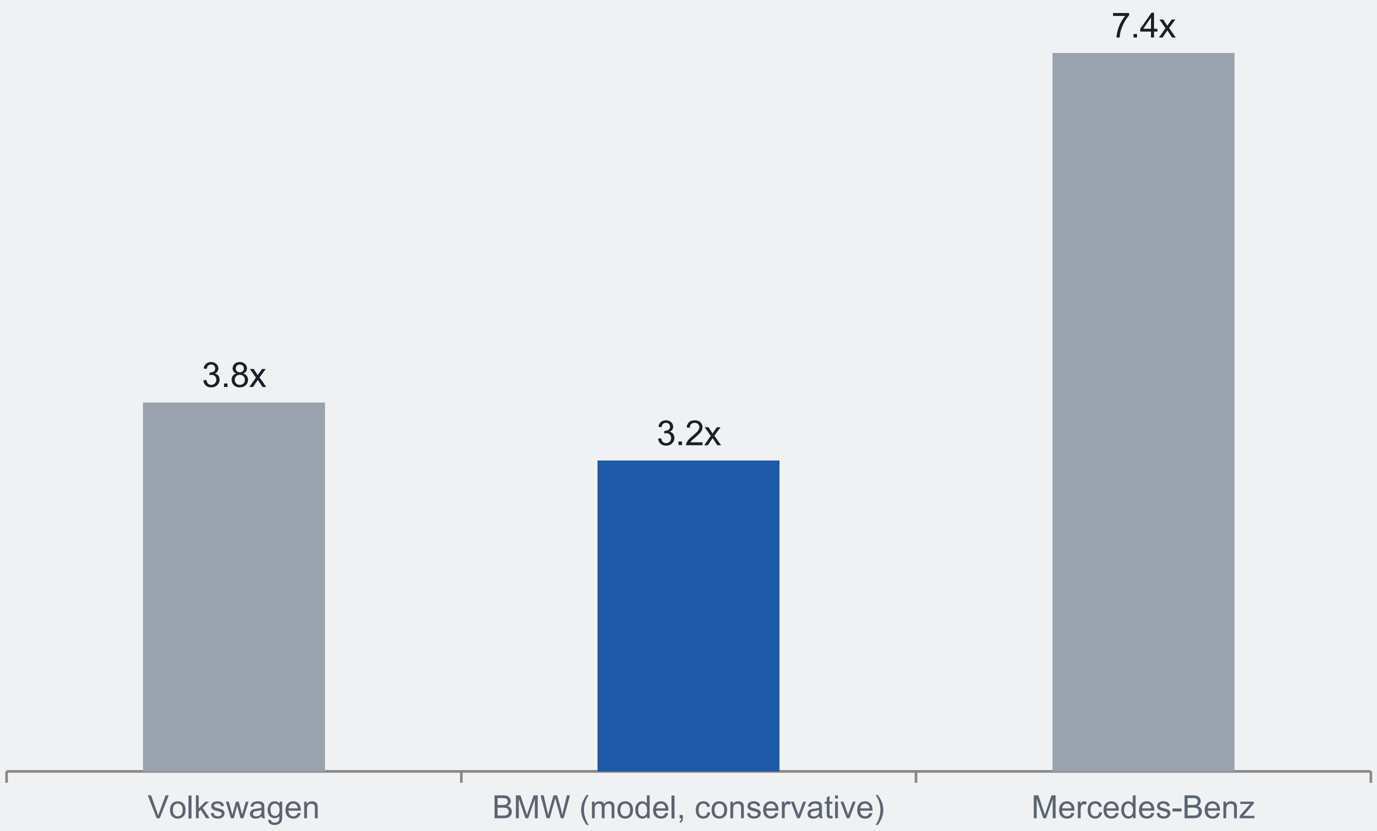
Automotive Segment Revenue & EBIT Margin (FY2021A–FY2025A, BMW Group consolidated proxy)



Note: BMW Group consolidated revenue shown for trend continuity; FY2025A Automotive-segment-only revenue was €117.6bn. Source: stockanalysis.com, BMW Group FY2025 results.

PEER COMPARISON

Priced closer to Volkswagen than to Mercedes-Benz



→ BMW's DCF exit multiple (3.2x) is set conservatively below Volkswagen's 3.8x to reflect near-term tariff drag — yet BMW's brand, margin structure, and residual-value profile are structurally closer to Mercedes-Benz's 7.4x.

→ Even fully discounting any re-rating toward premium peers, the current 3.2x anchor still implies meaningful upside from today's €59.10 share price.

→ A re-rating toward the mid-point of the peer range (~5.5x) would imply substantially higher fair value — treated here as upside optionality, not the base case.

Source: stockanalysis.com, multiples.vc peer multiples (Aug 2026); BMW figure is this model's assumption, not a quoted market multiple.

A discount-rate-and-multiple approach built for a capital-intensive cyclical

8.49%

Cost of Equity

Rf 3.1% + β 0.77 × ERP 7.0%

7.62%

WACC

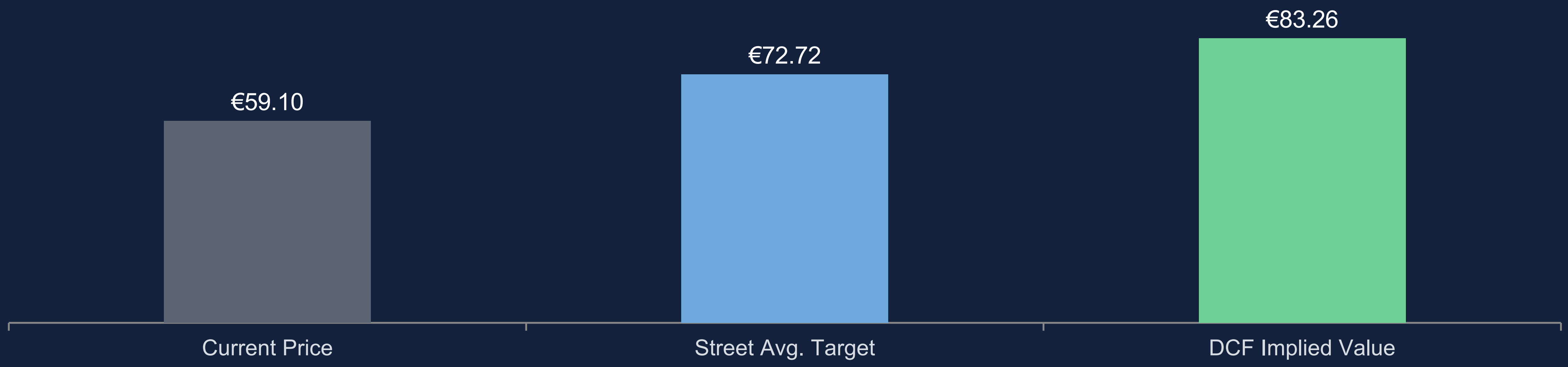
85% equity / 15% debt weights

Exit Multiple

Terminal Method

3.2x FY2030E EBITDA — not Gordon Growth

Per-Share Valuation Comparison (€)



A pure Gordon-Growth terminal value was tested first and implied >120% upside — not credible for a capital-intensive, cyclical OEM — so this model anchors Terminal Value to an observable peer EV/EBITDA multiple instead. Full model: BMW_DCF_Model.xlsx.

KEY RISKS

What would break the thesis

Tariff escalation

Further US/EU tariff increases beyond the ~1.5pt FY2025 drag would push Automotive margin toward the low end (or below) the 4–6% FY2026 guidance range.

Chinese EV competition

Continued aggressive pricing from BYD, NIO, and others could pressure BMW's China volumes and pricing power faster than the Neue Klasse ramp can offset.

Execution risk on Neue Klasse

A slow or costly ramp of the new BEV platform (iX3, i3) would delay the margin recovery this thesis depends on.

FX & residual values

EUR/USD and EUR/CNY swings, plus a softening used-car market, both flow directly through Automotive segment FCF and guidance.

RECOMMENDATION

BUY — BMW Group (ETR: BMW)

Price Target: €83.00 | Current: €59.10 | Implied Upside: +41% | Horizon: 12–18 months

- Pitching BMW to the 360 Huntington Fund as a differentiated, contrarian premium-auto position entering the Neue Klasse product cycle.
- Thesis is underwritten by a 7.3% dividend yield and 5.7x trailing P/E, limiting downside while the tariff and EV-transition overhang clears.
- Recommend revisiting position sizing alongside the Fund's existing Ferrari (RACE) equity exposure for combined auto-sector weighting.