

AUTOMOTIVE

POSITION PAPER

AUTOMOTIVE: THE END OF THE START-UP ERA?



TNP¹

ACCÉLÉRATEUR DE PERFORMANCE

\$500 billion

of value lost
since the end of 2020

Last week, Cazoo, an online used car sales platform founded in 2018, said it was ending its operations in continental Europe to refocus on its core market, England.

Cazoo has grown following the start-up model (mobilization of investors, IPO in April 2021), to raise the funds necessary for its growth, boost its reputation and take market share. Profitability was to be achieved in a second phase. At its peak, Cazoo was valued at more than 10 billion dollars. As of September 2022, it is worth only 500 million dollars.

Cazoo has not been the only automotive company to grow in this way. Indeed, between 2018 and the end of 2020, many new players in the sector followed this model, raising billions of dollars in financing rounds and on the stock market (in IPOs or SPACs*), with the promise for investors of huge capital gains, as Tesla had been able to achieve. Though Cazoo's announcement has been covered by the media, all these new players are seeing their valuations decline.

*IPO: Initial Public Offering.

*SPAC (Special Purpose Acquisition Company): acquisition company created for the sole purpose of raising capital on the stock market.

**Your
contact**

Guillaume Kerbrat
Associate Director, Automotive and New Mobilities
Phone: +33 6 37 93 51 10

guillaume.kerbrat@tnpconsultants.com

500 billion dollars of value lost

For 15 new automotive players analyzed by TNP (see table on page 6), more than \$500 billion in valuation has been lost since the end of 2020. This represents more than 70% of their valuation.

In comparison, since the end of 2020, the legacy players have held up well, even if they have suffered from the difficult post-Covid economic situation and the turmoil of an industry under strong pressure (semiconductor crisis, war in Ukraine, necessary investments in new electric models).

Stellantis, for example, gave up just 3% of its market value, as did CarMax, a long-time distributor of used cars in the United States. At the same time, the value of BMW rose by 4% and Penske, one of the leading distributors in the United States, outperformed with an increase of 85%.

Of course, let's not forget Tesla, the performance spur for all investors in new electric automakers, which saw its value rise another 27%, creating over \$200 billion in value.

Secure medium-term profitability

Indeed, while Tesla has had nearly two decades to develop its technology, generate revenue and achieve profitability, investors today do not seem inclined to give these newcomers as much time, in a context where money is scarce in the markets.

It is therefore clear that the start-up model that no longer attracts investors in the automotive sector. This model generates concerns, fueled by unfulfilled promises of profitability associated with extremely high cash-burns in the sector: product and technology creation (new vehicles, factory openings), development of brand awareness (sponsorship, marketing actions, etc.) or even purchase of other companies (Cazoo made seven acquisitions between June 2020 and November 2021)

In addition, new entrants such as Uber or Lyft, with very large customer bases, still do not offer stable profitability prospects, while the promised new vehicles are struggling to reach the market: Rivian produced only 7,000 vehicles in the first half of 2022, while the new utility vehicles presented by Arrival or Canoo are still not in production.



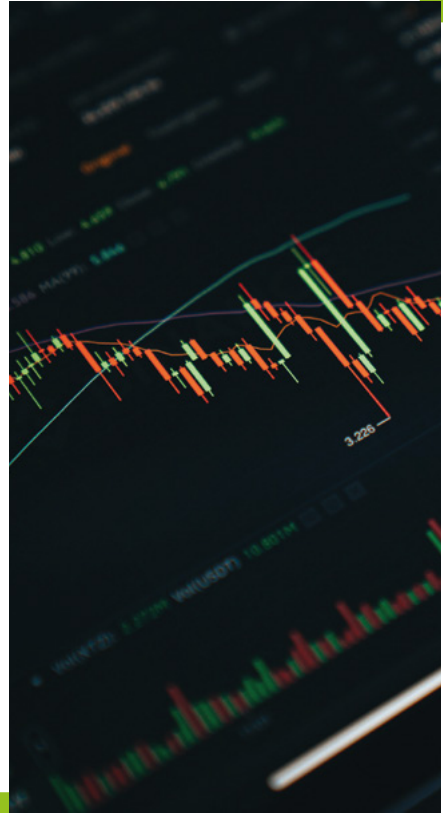
Finally, these start-ups are competing head-on with the legacy car manufacturers who have deployed considerable resources to ensure a technological advantage in the years to come. For example, in battery production: Stellantis with ACC, the Renault Group with CATL, Porsche with Custom Cells... Technological agreements for infotainment with numerous partnerships including Google or Amazon have also been signed. With historical players in the sector now able to innovate rapidly and regain their lead, is there room for many new players?

2023 will be a pivotal year for new players

IPOs, especially via SPACs, have raised huge amounts of money, especially from individuals. But investment funds are still very present, and there may be a direct link between their short-term objectives and the support they will give to these players (or the demands of frugality they will impose).

However, these funds will suffer from inflation and rising interest rates and will not hesitate to make arbitrages. Since 2021, Vision Fund, SoftBank's technology investment fund, has withdrawn massively from Uber, even though it was the main shareholder.

Despite this, a significant portion is backed by institutional financial players who will not abandon them. For example, more than 60% of Lucid is owned by the Saudi Arabian investment fund. Amazon owns 18% of Rivian and also has the capacity to support the new electric pickup maker over time.



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New players in the automotive and mobility sector are not making a fortune of stock market investors



FOCUS ON 15 NEW PLAYERS
IN THE SECTOR:
NEARLY 500 BILLION OF DOLLARS
IN VALUE LOST SINCE EARLY 2021

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\$680 billion

of valuation at the highest level
(end of 2020, beginning of 2021
for most of them)

\$190 billion




of valuation in September 2022
(-78%)

NEW EV MANUFACTURERS





KEY STAKEHOLDERS	 LORDSTOWN LORDSTOWN United States	 RIVIAN RIVIAN United States	 LUCID LUCID MOTORS United States	 FISKER FISKER United States	 NIO NIO China
TOTAL VALUATION AT THE HIGHEST LEVEL	\$327 billion				
TOTAL VALUATION SEPTEMBER 2022	\$94 billion				
CHANGE (\$)	-\$232 billion				
CHANGE (%)	-71%				

	 LORDSTOWN LORDSTOWN United States	 RIVIAN RIVIAN United States	 LUCID LUCID MOTORS United States	 FISKER FISKER United States	 NIO NIO China
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TOTAL VALUATION SEPTEMBER 2022	\$94 billion				
CHANGE (\$)	-\$232 billion				
CHANGE (%)	-71%				




NEW E-LCV MANUFACTURERS

KEY STAKEHOLDERS	 ARRIVAL United Kingdom	 CANOO United States	 REE Israel
TOTAL VALUATION AT THE HIGHEST LEVEL	32 Mds\$		
TOTAL VALUATION SEPTEMBER 2022	1,8Mds\$		
CHANGE (\$)	-30Mds\$		
CHANGE (%)	-94%		

USED CAR PLATFORMS

KEY STAKEHOLDERS	 CARVANA CARAVANA United States	 CAZOO United Kingdom	 AUTO1 GROUP AUTO1 Germany	 VROOM United States
TOTAL VALUATION AT THE HIGHEST LEVEL	\$98 billion			
TOTAL VALUATION SEPTEMBER 2022	\$10 billion			
CHANGE (\$)	-\$88 billion			
CHANGE (%)	-90%			

VTC - MOBILITY

KEY STAKEHOLDERS	 UBER United States	 LYFT United Kingdom	 DIDI China
TOTAL VALUATION AT THE HIGHEST LEVEL	\$222 billion		
TOTAL VALUATION SEPTEMBER 2022	\$82 billion		
CHANGE (\$)	-\$140 billion		
CHANGE (%)	-63%		

TNP¹

ACCÉLÉRATEUR DE PERFORMANCE

© TNP Consultants
31 rue du Pont, 92200 Neuilly-Sur-Seine

Phone: +33 1 47 22 43 34

Email: contact@tnpconsultants.com

www.tnpconsultants.com