

Bayerische Motoren Werke AG

Headwinds on luxury OEM names

5 January 2026

Company Overview

Leading European premium OEM manufacturer. Key segments include (i) automotive segment (BMW, Mini, Rolls-Royce) (c.85% revenue), (ii) motorcycles (2%), (iii) financial services segment (25%) and (iv) corporate expenses/elimination (14%). Asia make up the largest contribution at 38%, followed by Europe (36%), Americas (24%) and others (2%). Top 3 country exposure in terms of unit sales includes China (33%), USA (15%) and Germany (11%). BMW has a lower margins than Mercedes and Audi, mainly attributed by higher exposure to mass market segment. BMW has a 75% stake in BMW-Alliance joint venture (JV), which has been fully consolidated in the group's financial statements since Feb 2022. The Quandt family owns 47% of BMW's shares.

Investment Overview

Leading premium OEM manufacturer, and an emerging BEV player. BMW's key competitive advantage lies in its premium brand status, backed by its innovative engineering and design. Going forward, 90% of BMW's segments is targeted to be covered by at least one BEV model. We believe BMW's EV execution has been impressive thus far, and is well positioned as an emerging luxury BEV player.

3Q25 earnings beat. Adjusted EPS of EUR2.74 (vs EUR0.61 in 3Q24) exceeded consensus by 8%, underpinned by a 136% y/y rebound in automotive EBIT to EUR1.49bn and automotive EBIT margin recovery to 5.2% (+2.9ppt). Group EBIT margin rose to 7.0% (+1.8ppt y/y), while revenue held steady at EUR32.3bn (flat y/y) as deliveries climbed 8.7% y/y to 588k units. Europe (+9%) and North America (+24%) offset muted China trends, with BEVs representing 18% of sales.

All eyes on 4Q25 results and FY26F guidance. Reflecting persistent tariff and China headwinds, the company trimmed its FY25F automotive EBIT margin guidance to 5-6% (previous 5-7%). FY25F Group EBT guidance remain unchanged, at a slight decline y/y, but management reiterated medium-term profitability resilience, underpinned by cost normalisation, supply stability and a gradual ramp of the Neue Klasse platform. The BMW iX3 and i3 launches are expected to drive mix and efficiency gains from 2026. Management highlighted that R&D and capex intensity have already peaked, setting up for operating leverage into 2026. Still, competitive pressure in China's sub-RMB 150k segment and tariff uncertainty in the US and EU remain key risks.

Maintain FV, with unchanged TP of EUR70. With the stock now trading at 7.5x forward PE (+0.6SD above historical average), we believe most of the positive catalysts are priced in. Further, we turn more conservative on luxury OEM names, as we see more vulnerability to consumption weakness, especially in China.

Risks

BMW faces demand risks in China, noting that China is BMW's largest market.

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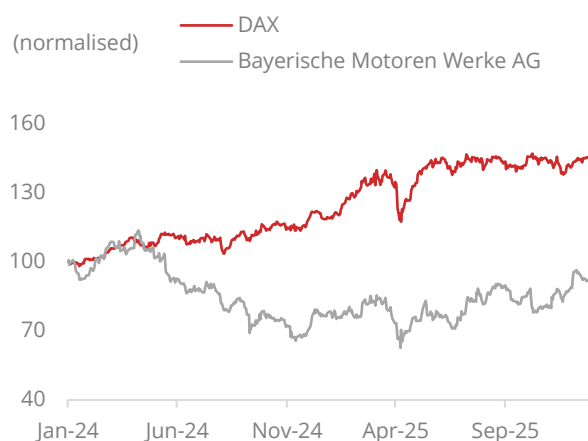
Key Financial Data

Bloomberg Ticker	BMW GR
Sector	Consumer Discretionary
Share Price (EUR)	95.96
DBS Rating	FULLY VALUED
12-mth Target Price (EUR)	70.0
Market Cap (USDb)	69.7
Volume (m shares)	0.7
Free float (%)	49.9
Dividend yield (%)	4.5
Net Debt to Equity (%)	-12.8
Fwd. P/E (x)	9.0
P/Book (x)	0.7
ROE (%)	7.6

Closing Price as of 2 Jan 2026

Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

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Financial Summary

FY Sep (EURmn)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)	FY2027(F)
Sales	155,498	142,380	138,552	142,099	146,529
% y/y	9.0	(8.4)	(2.7)	2.6	3.1
Gross Profit	29,689	22,895	21,625	22,623	23,564
% y/y	20.8	(22.9)	(5.5)	4.6	4.3
EBITDA	27,456	20,159	18,881	19,700	21,511
% y/y	21.7	(26.6)	(8.7)	4.3	9.4
Net Profit	11,290	7,290	6,617	6,924	7,898
% y/y	(37.1)	(35.4)	(10.0)	4.8	14.0
FCF	6,661	(4,639)	5,650	8,166	8,386
% y/y	(54.0)	(169.6)	11.6	6.3	9.4
CAPEX	10,881	12,205	10,631	10,100	9,897
% y/y	20.2	12.2	(12.2)	(5.0)	(2.1)
EBITDA Margin (%)	17.7	14.2	13.7	14.0	14.8
Net Margin (%)	7.3	5.1	4.8	4.9	5.4
ROA (%)	4.5	2.8	2.5	2.5	2.7
ROE (%)	12.3	7.8	6.9	7.0	7.5
Tax Rate (%)	28.8	30.0	28.7	28.7	28.7

Source: Visible Alpha

Valuation Metrics

FY Sep	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)	FY2027(F)
P/E (x)	4.8	7.4	8.1	7.9	7.0
P/B (x)	0.6	0.6	0.6	0.5	0.5
Dividend Yield (%)	7.0	5.0	4.6	4.9	5.6
EV/EBITDA (x)	5.1	6.8	7.7	7.4	6.8
FCF Yield (%)	12.1	(8.6)	10.5	15.5	16.0

Source: Visible Alpha

Credit & Cashflow Metrics

FY Sep	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)	FY2027(F)
Debt / Equity (%)	102.2	117.1	114.9	114.0	112.8
Net Debt / Equity (x)	0.8	1.0	0.9	0.9	0.9
Debt / Assets (%)	37.9	41.6	41.6	41.6	41.5
Net Debt / Assets (x)	0.3	0.3	0.3	0.3	0.3
EBITDA / Int Exp (%)	41.9	35.2	37.3	40.1	43.5
ST Debt / Total Debt (x)	0.4	0.4	0.4	0.4	0.4
Debt / EBITDA (x)	3.5	5.5	5.9	5.8	5.5
[Cash + CFO] / ST Debt (%)	0.9	0.7	0.8	0.9	1.0
Receivables Days	96.2	106.1	95.0	92.1	90.3
Days Payable	36.5	36.2	35.9	35.6	35.1
Inventory Days	55.7	62.5	60.7	60.7	61.0

Source: Visible Alpha

Target Price & Ratings History



#	Date of Report	Closing Price	12-m Target Price	Rating
1	18 Mar'25	83.70	85.00	HOLD
2	01 Aug'25	83.34	70.00	FULLY VALUED

Source: DBS

Analyst: Elizabeth Pang

DBS Group Research recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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