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CAOA takes control over Chery

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The company confirmed the acquisition late Friday the 10th, and the official announcement made to the Chinese market was done on Saturday the 11th during an event that happened in Beijing. Out of the new societal structure CAO A Chery was born, company that will contribute US\$ 2 billion throughout the next five years in local operations. It's an important move from the company that, even with a factory installed in the country, could not launch commercially since 2014. It is also the most important transaction done in the sector during the post-crisis period...

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CAOA takes control over Chery

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Chery

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According to the company the production of vehicles will be shared in both factories located in the country, in Anápolis, GO, and Jacareí, SP. According to sources heard by AutoData CAO A has now, ahead, a schedule of actions to be taken as part of the integration process by the companies. For starters it would assume the importations in 2018, being the major articulator of the arrival of new models to increment the offer, and subsequently the distribution of Cherys through 180 stores in the resellers network that today commercializes vehicles such as Hyundai, Ford and Subaru. Lastly it would take control of production in Jacareí.

When it comes to that the expectation, the Jacareí factory is to concentrate the vehicle production and the Anápolis factory, where Tucson, IX35 and commercials HD and HR are produced, should transform itself slowly in another unit of motors production. Hyundai and CAO A, according to consulted sources, had made a deal where CAO A would give back the rights of productions of those models to Hyundai Motors in Brazil, opening more space for lines of manufacturing of motors and components – the factory in Anápolis has 1,5 million square meters of total area and 140 thousand square meters total; that information is not yet confirmed by all parties.

During the event where the company's global announcement was made, Marcelo Elias [picture below], financing institutional relations director of CAO A, said the deal marks "a new cycle of growth for the Brazilian market". Mauro Correia, president of the company, highlighted the presence of the company in Brazil and mentioned that relations between Brazil and China, in the automotive field, tend to become closer from now on.

History – The CAO A-Chery negotiations started mid-2016 and there were several withdrawals from both sides due to disagreements in established issues or the situation where the national market lived in, with internal sales in a negative standard. With a plan designed by the Chinese headquarters to expand the reach in strategic markets plus the boost created by China's government goals that establishes companies should search for new markets, plus the resuming of sales in Brazil, the companies went back to the negotiating table.

In order for the sale to be official another factor that took a toll was the low profitability of Chery in Brazil. There were US\$ 400 million invested in the paulista factory, the first outside of China, inaugurated in 2014, year when the Brazilian market showed signs that would enter an accentuated fall. From then on the company worked to establish its two models in the national market, the compact QQ and the sedan Celer, having to deal with, in parallel with successive hold-outs promoted by strikes and the intensification of the crisis in the sector that made it work with only 10% of its capacity.

The company tried to rise promoting the restructure in the sales area and after those changes a growth plan was designed through direct sales and the arrival of the Tiggo 2 model, an SUV to be produced here.

In Brazil – In 2016 Chery closed in the red here: revenue of 1 billion and 112 yuan, something around US\$ 167,7 million, and loss of 1,7 billion yuan, about US\$ 256,9 million. Until August 2017 there were no signs of recovery; the revenue was 9 million 75 thousand yuan, and loss of 18,7 million yuan. Overall in the year, up to October Chery sold 3 thousand 76 vehicles and had a share in the market of 0,20% according to data from Renavam, 2 thousand 629 QQ, 175 Celer and other units of imported models.

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Exportations: one more broken record

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Vehicle exportations keep breaking records. From January to October 627 thousand and 820 vehicles were sold to other countries. In the same period last year the volume exported was 400 thousand 623 vehicles. The growth was 56,7% according to data released by Anfavea on Wednesday the 8th.

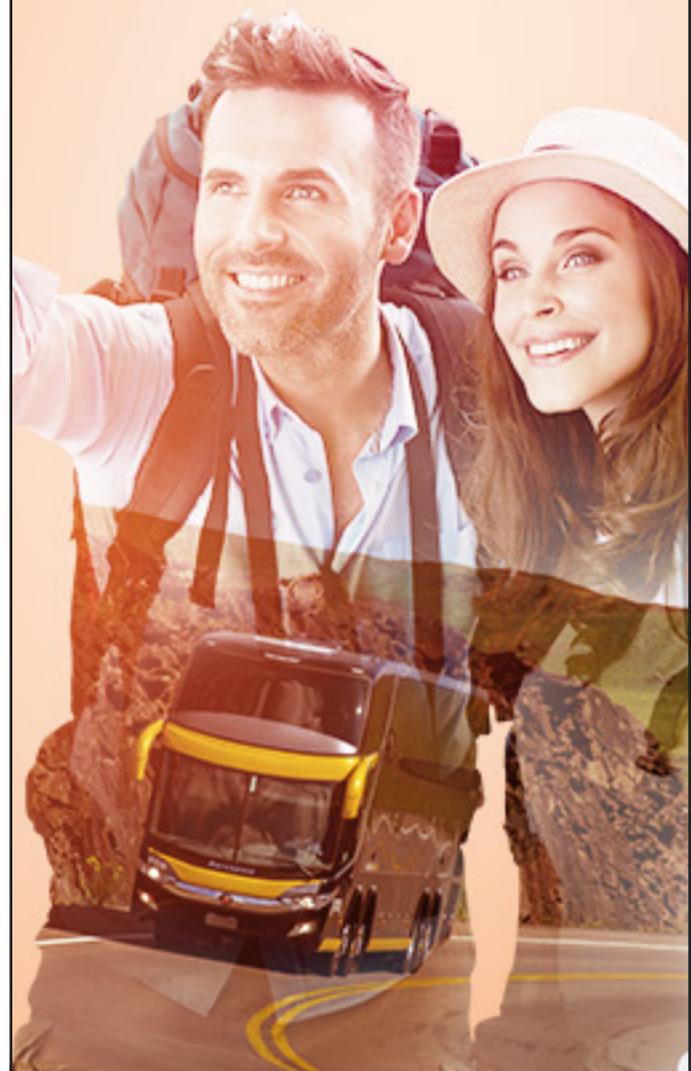
In October the exported volume reached 61 thousand and 554 units against 36 thousand and



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939 in the same period last year, a rise of 66,6%. If we compare to the previous month the growth was a bit more modest, just 2,5%.

Antônio Megale, president of Anfavea, believes the good performance of the markets that buy was an essential factor for the growth: "The countries that import vehicles from Brazil are growing and that helps, just like a stable exchange". The expectation of Anfavea is to close the year with 745 thousand exportations. To achieve that, it will be necessary to export 58 thousand and 590 vehicles in November and the same volume in December. But since February the external monthly sales are above 60 thousand units, the projection is a historical record of exportation for the year.

Argentina follows as the major buyer of Brazilian vehicles with 438 thousand units from January to October, a rise of 45% related to the same period last year. For Mexico 75 thousand units were exported in 2017, a high of 31%. To Uruguay and Chile, the exportations doubled. There were 26 thousand sales to Uruguay and 27 thousand to Chile. Megale revealed the conversations for the bilateral agreement with Colombia had little advancements. The agreement has been approved by ALADI, Latin America Association of Integration, and follows the process of internalization in the countries.

Before the crisis Anfavea even projected 1-million-unit year exportation. The number went back to being a possibility for 2020 or 2021 according to Anfavea.

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Truck sales resume level of 2015

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The truck market keeps reducing the registered losses in 2016. In October, the number of licensing was 5 thousand and 29 units; volume 10,8% higher compared to September's performance. The sales in the sector were the best since October 2015. Despite the scenario being favorable to the growth in the period, with a smaller Selic and Fenatram, the companies hope to close the year with sales in same level as 2017, around 50 thousand units.

Overall, from January to October, the licensing of trucks reached 40 thousand and 393 units, volume 4,5% smaller than observed in the same period last year. Antônio Megale, president of Anfavea, said on Wednesday the 8th, the performance in the second semester was fundamental to reduce losses, but other factors need to be applied for the performance to leave the negative spectrum in the graphics:

"For the first time we went over the five thousand units a month this year. The base of comparison is still low, and we are still within the fall, but much less than before. The interest rates are lower, Fenatran showed the business environment got better, but reforms need to be approved, specially social security, so the segment grow again".

Luiz Carlos Gomes de Moraes, vice president of the association, highlighted the announced investments recently by some automakers in the segment of commercial vehicles. According to Moraes, that is the indicator the sector projects for 2018 in an better environment for sales in the country: "The phone went back to ringing again in May and we noticed that transporters are much more optimist so much that the contributions announced this year are long-term".

Mercedes-Benz, the biggest company in the market in terms of sales volume, announced in October an investment of R\$ 2,4 billion for the next five years for modernization of factories in São Bernardo do Campo and Juiz de Fora, MG. Iveco, during Fenatran, announced US\$ 120 million until 2019 for development of new products. Analyzing the sales of the sector by segment,

all presented growth compared to the performance in September due to Fenatran's effect and also due to specific businesses announced by the turn of the semester that started to be accounted for in the beginning of the last trimester this year.

Among the heavy ones Mercedes-Benz hit 3 thousand and 964 vehicles, 16,6% more than the first ten months of 2016. Performance followed by Volvo, that hit 3 thousand and 915 units, 15,2% more. Scania comes right behind with 3 thousand and 654 units, number 21,4% higher than last year. MAN comes following with 1 thousand and 509 units licensed, volume 1,2% higher than ten months in 2016.

In the semi-heavy 1 thousand and 251 units were commercialized in October, a slightly high of 1,4% compared to sales in September. Comparing to October last year, the growth was 14,5%; in the overall of the year the 10 thousand 540 units represent a fall of 12,8%.

Known as the promising market for 2018, the segment of the lights hit 1 thousand 59 units in October, 9,6% more than last month and 12,5% more than October 2016. In the overall of the year the volume reached 9 thousand 155 units, 17,3% less than the ten months last year. The vice president of Anfavea associated the resuming of vehicle sales in this category with the heating up of the country's consumption since it is the retail that should push the numbers of the segment next year:

"It's a segment considered to be key by the sector because there are expectation around the come back of consumption in the market in general to move the distribution of products in the country".

Bus. In the overall of the year Anfavea data point that 9 thousand 448 units were licensed in Brazil until October, 4,4% less compared to the commercial performance of the segment last year. Compared to October 2016, it's a high of 51,7%. **WE**



Manufactures register more direct sales

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In the balance of some automakers the direct sales participation in the registered licensing in October was higher than the retail registered sales, as point data from Renavam. Fiat, Peugeot, Renault and Volkswagen has the biggest part of their sales done directly in the month, over the line of 50%, and the direct sales by Ford, Jeep, General Motors and Nissan were less than half of the total vehicles sold last month.

Out of the 25 thousand and 709 vehicles licensed by Fiat last month 60,3% represent direct sales or 15 thousand and 504 units. Renault was the second that most sold its vehicles directly in October, or 54,75% of its total sales, reaching 8 thousand out of 15 thousand 904 units a month. Volkswagen sold 23 thousand 662 automobiles in October, out of 12 thousand and 788 in direct sales regime. And the direct sales by Peugeot in the period represented 51,69% of the total.

In the past three years Fiat and Renault lived an instance of growing direct sales over the closed ways of retail in the overall of the year, much due to the designed partnerships with major rentals of the country. IN 2014 direct sales for Fiat were 42,27% of the total and two years later the volume surpasses all the sales in dealerships reaching a participation of 52,26% of the total. For Renault a similar process applied: in 2014 the direct sales represented a slice of 41,33% of the total sales and it grew to 53,78%.

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QUANDO TUDO PARECE PERDIDO, SUA AJUDA VAI FAZER A DIFERENÇA

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Justice declares collapse of Guerra

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The judicial administrator Cristiano Arnt Franke started this Thursday the 9th the legal procedures to fulfill the terms of the sentence by judge Maria Olivier from the 4th civil chamber of Caxias do Sul, RS declaring collapse of the Guerra S.A. Implementos Rodoviários, formalized on Wednesday the 8th. In the evaluation by the administrator the decision was “the best facing the difficult situation of the company that seized production on May the 16th and let go its employees without rightful pay, even the full April pay”.

The heading of the manufacturer of road implementations, that for a long time was the second largest in the country’s segment, became complex after the rejection by the creditors assembly on July the 5th, on the proposal of financial recover for the company. Since half of 2015 Guerra found itself in judicial recovery but there was never an agreement that gathered the major and minor partners to follow up on a solution. With the rejection of the proposal the decision was left to the judiciary power.

The administrator estimates the current company’s debt, including the tributary debt, amounts close to R\$ 300 million. In the assembly were subject debts of creditors in the amount of R\$

120 million to R\$ 130 million. From R\$ 70 million to R\$ 80 million were not included.

The labor liabilities did not amount to R\$ 1 million. Now, with a period of six months without pay the monthly the payroll of R\$ 2 million monthly, the debt should incorporate, without corrections, to something like R\$ 14 million. According to the administrator around two hundred employees still have ties to the company that has once employed 2 thousand people.



Guerra

The attorney informed that hundreds of lawsuits have been coming to the work justice with convictions in absentia due to lack of legal representation by the company in the hearings.

The judge determined a deadline of fifteen days for all the creditors to enable their credits for future pay starting by the gathering of resources for the company's action. The administrator highlighted there was closing of units and beginning of gathering of assets. Guerra is the owner of three areas, two in Caxias do Sul and one in Farroupilha, with edifications and equipment.

Irresponsible conduct – The president of the metallurgical union, Claudecir Monsani, guaranteed that was not the desire of the workers and society's to see Guerra collapse, a traditional company with 46 years of activity founded by Ângelo Guerra and bought in 2008 by an investment fund called Axxon Group. He recognizes however that the situation became non sustainable.

“The partners were not taken action to solve the problems that only kept growing. They did not worry about judicial repercussion, they were irresponsible.”

He estimates that labor debt might oscillate from R\$ 70 million to R\$ 80 million. Since Thursday the judicial advisory from the company have been working on gathering the situation of all employees and ex-employees that left the company without receiving their proper compensations.

In the sentence the judge defined the deadline of five days for the partners to present the current list of creditors. She determined the sealing of the commercial establishments and gathering of assets due to collapse along with the closing of bank accounts. According to the judicial administrator there's room for appeal in the decision of bankruptcy.

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