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**CARL QUINTANILLA, CNBC:**

EV sales in the United States are on pace to surpass a million for the first time ever this year. That’s according to Cox Automotive. However, there are continued signs that demand is waning as both car makers and dealers slash prices. In the meantime, both Lucid and Rivian are set to report later today. One of our next guests is predicting a “global EV meltdown”, while the other’s outlook is quite positive. Joining us today, former Ford CEO Mark Fields, now a Hertz board member and CNBC contributor, and Deutsche’s Lead Auto Analyst Emmanuel Rosner. Guys, it’s great to have you. Emmanuel, your note raised some eyebrows a few days ago, where you talked about the early playbook for such a meltdown. And we’ve talked about sticker shock and range anxiety and the lack of new models and gas prices are tame. But is meltdown the right word to use?

**EMMANUEL ROSNER, DEUTSCHE BANK:**

I think it’s a meltdown in investor expectations and certainly in stock prices. In terms of EV adoption, it’s probably more of a slowdown for the time being, but the expectations were so high that we’re really seeing a collapse in this. And to your point, it’s about affordability and other things like range anxiety. But on the affordability side, what concerns us is most automakers haven’t cracked the economics to make EV affordable. And as a result, we don’t really see a path in the near term for this to happen. It could take several years until such models come out. And this is going to continue to put tremendous pressure I think on both their earnings but also probably on the stock prices.

**QUINTANILLA:**

Mark, even some players who have tried to leverage the growth, Hertz is a great example, have come out in the past few days talking about some of the challenges

**MARK FIELDS, HERTZ:**

Clearly, what we’ve seen, Carl, is the bottom line is EV demand is cooling as the early adopter phase kind of wanes off. But you’ve got a challenge in the industry. I hear Emmanuel’s term around an EV meltdown. I think that’s very true, particularly for the new companies that have come on and are solely EVs and at very high price points. I think the established OEMs like GM, Ford, Stellantis, etc are going to have challenges, but they have their ICE business, their Internal Combustion Engine business which helps fund their investments in EVs. And it’s going to take longer now because you’re seeing that the EV market is acting very much like the auto industry of old with price cuts, rising inventory, increased incentives to kind of juice market demand. And you’re seeing the automakers take a very rational approach that says listen, we were ahead of the curve here in terms of consumer acceptance, so we’re going to push back investments. But from where we stood six months ago, it’s going to be a more challenging time for everyone involved in the EV market right now.

**DAVID FABER, CNBC:**

Mark, you used the word “challenging” twice. What does that actually look like? Does it delay but still mean the transition comes, or are we waiting a lot longer perhaps?

**FIELDS:**

In my view, this is going to be an inexorable transition from combustion engines, but to your point, David, it’s going to take longer than everybody expected. At the end of the day, you’re having established automakers pushing out these investments to save capital, but let’s face it. General Motors is sticking to their plan of having one million units of production capacity by the end of 2025, and as they close out 2023, they will be selling slightly fewer than 100,000 EVs. So that’s a 10x increase in the next two years. Yes, they’re coming out with new products, but at the end of the day, the challenges for consumers are cost. Even though they’ve come down significantly this year, about 20-25 percent, they’re still more costly than ICE vehicles. So most importantly, and you mentioned this, David, it used to be called range anxiety. I actually think it’s charging anxiety at this point because of the lack of charging infrastructure

**SARA EISEN, CNBC:**

So Emmanuel, how does that impact the stocks? Who needs the biggest adjustment?

**ROSNER:**

I actually almost feel the opposite, which is that the traditional legacy automakers will have the hardest time making the transition and are already having the hardest time making the transition. The way to see that is the amount of money they lose on each EV they’re actually selling. There are very few automakers out there actually making positive money selling EVs. But Tesla is certainly one of them. That is truly what’s going to determine the ability of each automaker to offer Electric Vehicles people can actually afford. So I worry tremendously about traditional automakers’ earning trajectories from here, in addition to deeper EV losses with larger investments probably required. You also have the core combustion engine business which will come under pricing pressure because current prices are largely unsustainable and will normalize. You have higher labor costs from the new UAW contracts. You really have earnings that will come down fairly materially over the next couple of years before they perhaps crack the code on EV by mid-decade. But the proof is very much in the pudding for this, so I wouldn’t give them credit now for what happens in the decade. I think you’ll see much more stock pressure on some of these traditional automakers.

**QUINTANILLA:**

Emmanuel, finally, you do point out that China appears to be the exception where penetration continues to increase. You like XPeng. Can you just explain what’s happening there and given their macro problems why they would be having a fiercer curve than North America?

**ROSNER:**

I think what’s happening in China is that they’re addressing the problem by essentially having a price war. So prices have been coming down dramatically. It is a considerably more competitive marketplace than the rest of the world with many more offerings of EVs at every vehicle segment. Prices are coming down, and that’s essentially securing the volume growth. So volume continues to grow, which is fine for the entire ecosystem of auto suppliers, which we cover as well. But in terms of automakers, even the most successful ones are facing some incredibly competitive conditions. So we truly feel this global EV meltdown is global. There’s no real exception in any region.

**FABER:**

Mark, I’d just like to give you an opportunity to respond to Emmanuel’s view of the GMs, Fords, and Stellantis of the world, if you in fact disagree with his statement.

**FIELDS:**

Well, I’m not as pessimistic as Emmanuel for a couple of reasons. One is I think when you look at the ICE business, we’ve had a period of high interest rates for over 12 months now, and you’re still seeing a lot of pent-up demand in the marketplace. The industry is growing now at low single digits. The average selling price of a vehicle is still steady at about $48,000 for an ICE vehicle, and I think there’s still a lot of pent-up demand there. I think secondly, you’re going to see the automakers, and you’re seeing folks like Ford and even Toyota, pivot to a certain degree to hybrids and plug-in hybrids, which actually are a better solution for the customer in terms of the price dollars they have to pay versus a regular Internal Combustion Engine, and about the same environmental benefits. Those are actually pretty good economic margins for the automakers, so the established automakers have proven over time they can be pretty resilient. But yes, versus six months ago, it’s a net negative. But I am not nearly as negative as Emmanuel is.

**QUINTANILLA:**

Mark and Emmanuel, good to have the discussion nonetheless. Thank you guys.

**ROSNER:**

Thanks for having us.