

Schroders TalkingPoint



Are the wheels falling off the autos sector?



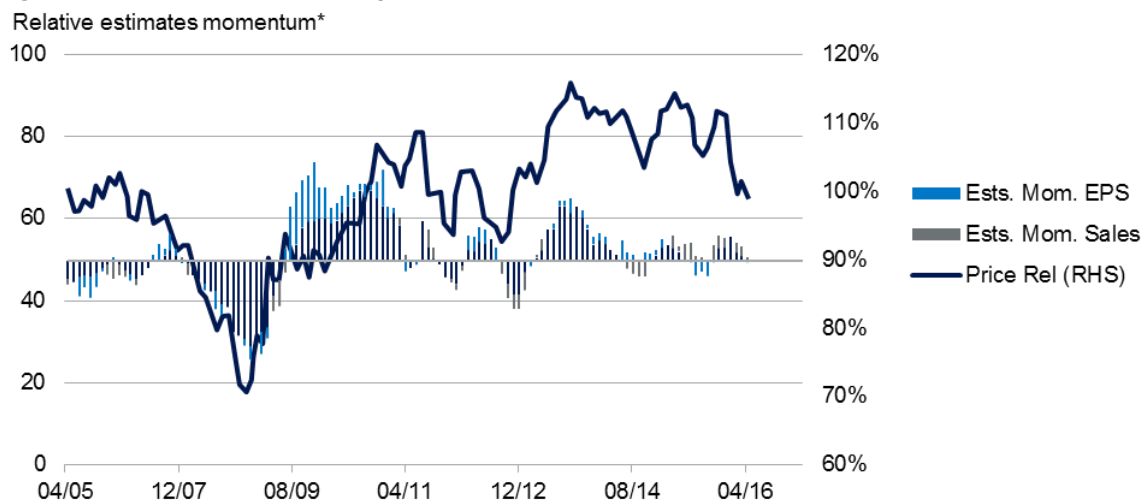
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Auto stocks have hit the skids as investors fear earnings have peaked. We discuss the sector's outlook, including areas where we see potential for continued earnings growth, and whether stocks are now "cheap enough" regardless.

After a run of strong performance since the crisis, the auto sector has been one of the weakest performers over the last year, underperforming the MSCI World by 15%. Yet fundamentals remain resilient, and have even improved in recent months: European volumes have repeatedly beaten estimates, China has rebounded strongly, and Q1 earnings mostly surprised positively, especially in the US where investor scepticism is most elevated. Sales and earnings estimates for the sector have been broadly flat (despite heavy currency-related downgrades for Japanese manufacturers), meaning weak stock performance has been driven by a significant de-rating. The sector average price-earnings (PE) multiple has fallen from highs of more than 11x last year to below 9x today, and the PE relative is making new lows, with investors prepared to pay just half the market average multiple for earnings in the auto sector.

Figure 1: Global auto and components estimates momentum



Source: Redburn. A bar < 50 means estimate revisions worse than the market and >50 means revisions better than the market.

Figure 2: MSCI World Auto/Components 12-month forward PE absolute (top) and relative to MSCI World (bottom)



Source: Bloomberg, Schroders, as at June 2016

The sector has de-rated because investors believe that earnings are at a cyclical, and perhaps structural, peak. Looking at aggregate estimates for the sector, it is not hard to see why investors are sceptical. Consensus expects low single-digit global volume growth for the next few years, and average transaction prices (ATP) to be flat to down in dollar terms, resulting in modest revenue growth for carmakers (henceforth referred to as OEMs)¹. However, aggregate analyst earnings-before-interest-and-tax (EBIT) forecasts imply profit per vehicle continues climbing steadily, resulting in further margin expansion to unprecedented levels. Yet during a similar period of modest volume growth in 2000-07 (during which average selling price – ASP - growth was still positive, hence revenue grew faster), margins were lumpy and industry profits were the same in 2006 as 2000 (in US dollar terms). Relative performance for the industry was volatile, but broadly flat from the post-tech bubble market lows in the early 2000s to the 2007 peak.

In this paper, we explore the outlook for earnings growth for the sector. For OEMs, we focus on top-line growth prospects by geography, cost structures, and drivers of potential market share shifts. For suppliers, we address the debate over the degree to which industry value-add has shifted from OEMs to suppliers, and the potential for sustainably higher growth. We will not spend much time here on the longer-term “peak car” bear thesis, as we have written before about the risk of [structural long-term decline](#) in auto sales due to car-sharing, demographics and [autonomous driving](#). While we agree that these fears probably cap the multiple investors are willing to pay, in our view these are long-term trends that will not materially impact earnings on a three-to-five year view, and will be dwarfed by cyclical factors. The degree of airtime these structural bear arguments are receiving at the moment is, we believe, more indicative of fears around the cycle.

Top-line growth: volume versus value

The starting point of most analysis of the sector is unit volumes, a topic that receives a huge amount of attention given fears around “peak SAAR”², especially in the US. However, in our view, this fixation on volumes is a mistake, because volumes are to some extent an *outcome* rather than an input for the sector. Essentially, OEMs can generate any level of volume they wish if they are prepared to lean on levers such as

¹ Original equipment manufacturers, confusingly used as industry shorthand for carmakers rather than auto parts suppliers.

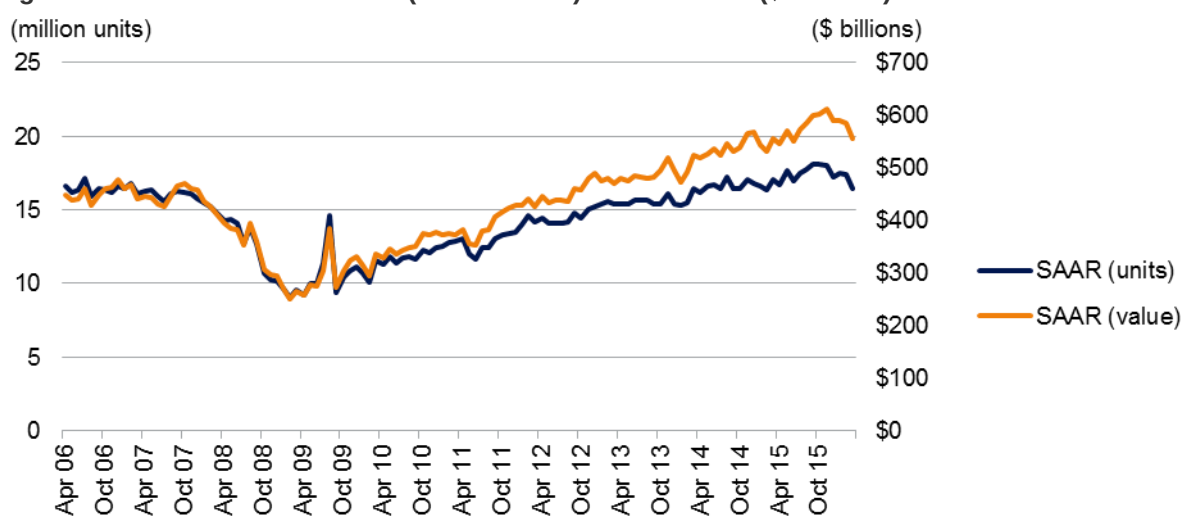
² Seasonally adjusted annualised selling rate. Read, sales volume.

incentives, financing, fleet sales, channel stuffing etc. When assessing whether the cycle is long in the tooth, we spend more time thinking about the *value* of sales than the *volume*.

For what it's worth, we do expect volumes to grind higher in the US. While SAAR is just back to pre-crisis levels, it is likely to overshoot for a mixture of good reasons and less good reasons. Good reasons include population growth since 2007 adding around 25 million people of driving age since 2005 peak SAAR and baby boomers continuing to drive into old age. Among the less good reasons, the most significant is that the industry has added capacity it is now incentivised to fill, but more on this later. Furthermore, auto sales are strongly correlated with wider economic activity, and it is hard to see auto sales actually falling unless we go into a broader economic downturn.

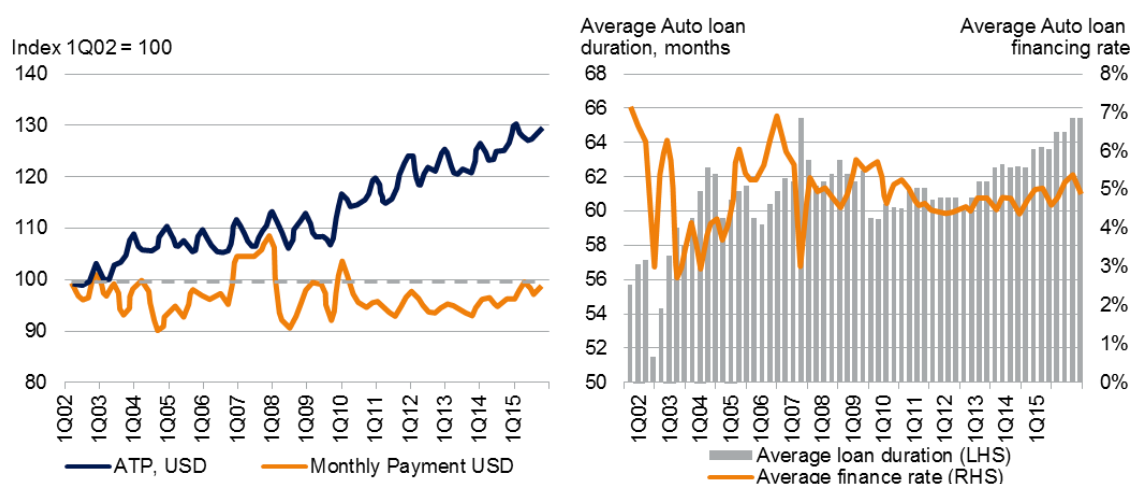
The *value* of the US auto market, however, is already well above the prior cycle. Pricing has been remarkably strong throughout the recovery primarily due to a greater production of pick-up trucks (PUPs), SUV/CUVs (sport/crossover utility vehicle) and “fully loaded” models³ – supported by the low oil price and a loose financing environment.

Figure 3: US auto sales: volume (million units) versus value (\$ billions)



Source: Bloomberg, Schroders.

Figure 4: US ATPs vs. monthly payments, 1Q02=100 Average auto loan rate and duration



Source: Exane BNP Paribas estimates. New York Federal Reserve

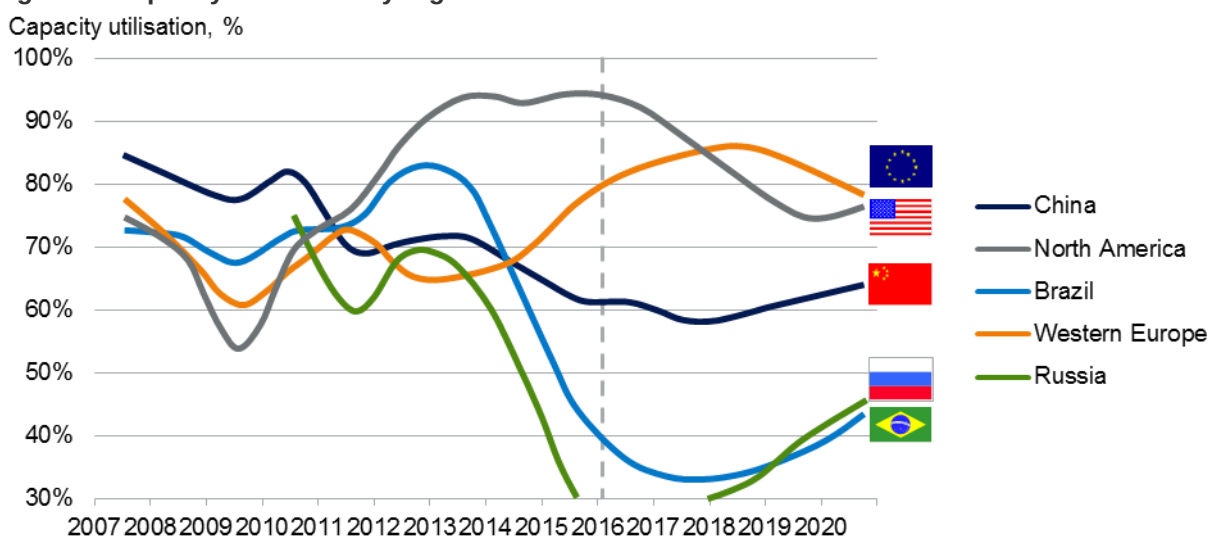
³ In other words, vehicles sold with all the bells and whistles in terms of optional extras such as premium interiors, top-of-the-range infotainment systems, driver assistance options etc.

And there are some signs emerging that the value of the US market is coming under pressure. Incentives are grinding higher (now above 2009 peaks), used vehicle prices remain close to record highs but are beginning to falter, and essentially all volume growth in Q1 was driven by lower margin fleet sales. Furthermore, there is some evidence of stress emerging in auto credit albeit mostly confined to the subprime market (generally used car financing) at this stage. None of these is an unambiguous red flag for the industry, but it is certainly hard to argue there is much slack in the system.

The key concern for us, when it comes to pricing (in which we include incentives), is capacity utilisation. North America successfully cut capacity in the downturn, resulting in record utilisation over the last few years, but capacity has steadily been added back since 2011 (mostly in Mexico) such that it is now back to 2005 levels. Capacity additions will outpace vehicle production over the next few years if our forecasts are correct, resulting in falling utilisation.

We do not believe that anything has materially changed in terms of industry structure or mindset that would dictate a more disciplined response to excess capacity in the past. If anything, the market has become more fragmented. In a fragmented market, the basic economics of the auto business dictate that it is individually rational to sell a unit as long as price exceeds variable cost, and indicators such as incentive data, fleet share and self-registrations (in markets like Germany) suggest no dramatic change in industry behaviour. Recent comments from the US's largest auto dealer, Autonation, also suggest OEMs are slipping back into their old ways of overproducing and sacrificing profitability for volumes. Indeed the CEO characterises the industry environment as "more push versus pull". We therefore expect price/mix (which also captures incentives) to stop being a tailwind in the US market, even if volumes remain robust, and our base case is flat industry revenues.

Figure 5: Capacity utilisation by region



Source: Exane BNP Paribas estimates

We are more optimistic on the outlook for Europe, where volumes are lower relative to pre-crisis levels and improving utilisation should support better pricing. However, we would caveat this with the observation that there are significant divergences within Europe, with the peripheries still significantly depressed while the UK market is well above prior peaks and Germany and France are modestly below. Hence, volume growth from here will be driven increasingly by the peripheries and potentially eastern Europe, where vehicle ownership is still structurally lower. Our instinct suggests that these will be less profitable markets than Germany and UK with their rich vehicle mix, meaning we could face the same value versus volume equation as in the US. However, there is some evidence to suggest this is not so clear cut. Spain and Italy are predominantly retail

markets, whereas Germany has a high share of less profitable corporate transactions. Anecdotally, the periphery also seems to have a more disciplined dealer industry, with dealer groups and automakers in Spain actually fined for price-fixing last year. Hence the like-for-like transaction pricing and profitability of a vehicle sold in the periphery could actually be better than one sold in Germany, offsetting weaker mix.

OEM profitability: a closer look at costs

The question of profit sustainability is most contentious for the US OEMs, which garner essentially all of their profits from their home market. US automakers have experienced severe multiple compression despite repeatedly printing new record margins, and guiding for profitability to be sustained at a high level despite slowing or no top-line growth. We are inclined to agree with the consensus view that this is unlikely. A closer look at profit drivers and costs leads us to expect margin compression, albeit much less severe than last cycle.

a) Fixed costs

By fixed costs, we mean costs that are not driven by volumes, and would be slower (though not impossible) to cut in a downturn, such as labour, depreciation and amortisation (D&A), research and development (R&D), and selling general & administrative expenses (SG&A), which generally amount to around 30% of total costs. Most automakers were able to reduce fixed costs to some degree in the aftermath of the last crisis, largely due to cuts in headcount and salaries. However, our analysis suggests fixed costs have likely bottomed and will present headwinds to profitability in coming years, with recent union negotiations in both the US and Europe suggesting employees are now demanding their share of record profits. The other components of fixed costs also look likely to grind higher. R&D is somewhat discretionary, but less so today than in the past given tightening standards on both emissions and safety, plus the increasing pressure on automakers to keep up with existing competitors and potential disruptors on new technology. D&A will steadily increase as a result of higher capital spending in recent years.

b) Variable costs

The outlook for variable costs (vehicle content in terms of parts and materials – around 70% of total costs) is less straightforward, as this line captures several moving parts including manufacturing productivity improvements, discretionary content additions and raw materials costs. The bull case for variable costs is that OEMs are increasingly adopting more sophisticated modular platform manufacturing strategies, meaning multiple models are developed and produced on the same basic template. Generally, OEMs talk about productivity gains or manufacturing efficiencies of 2-3% per year from these types of strategies and annual price-downs built into all contracts with suppliers. However, these savings are rarely visible at an aggregate level, as they are reinvested in other areas. To put it less generously, the OEMs are running to stand still. For example, a (now slightly dated) McKinsey report⁴ finds that component costs per vehicle were flat from 2001-2010 as productivity savings were offset by discretionary and regulatory-driven content additions.

In 2001-10 raw materials were also a headwind, but in the last five years they have been a tailwind for margins, which is now likely to diminish or reverse.

While some variable costs are discretionary, and could be dialled back in response to softer market conditions, we believe it would be difficult for any of the OEMs to unilaterally reduce content without risking market share and volumes in what is still a fiercely competitive and commoditised market. Furthermore, the costs associated with meeting more stringent emission and safety standards will continue to rise, imposing meaningful headwinds to profit.

⁴ McKinsey & Company (March 2012). The future of the North American automotive supplier industry: Evolution of component costs, penetration, and value creation potential through 2020.

We expect variable costs to grow somewhat faster than average transaction prices, and variable profit per vehicle to gradually decline in coming years. This could be mitigated by OEMs putting more pricing pressure on suppliers but, for reasons we discuss below, we do not believe this is likely to be possible. Combined with fixed cost inflation of around 2-3% p.a., we believe margins in North America will be compressed and absolute profits will fall, even if SAAR grinds higher or plateaus at a high level. In Europe, our more optimistic view on top-line growth implies a better outlook for profits, but even here we believe profits on marginal units will be lower (falling operating leverage) due to rising cost pressures.

Go East?

Observant readers will note that we have gone a remarkably long way without mentioning China! We approach the topic with some trepidation as China is famously hard to forecast. Structurally, there is probably further upside to sales volumes as vehicle penetration is still low outside Tier 1 cities but the degree of sales growth will be slower and more lumpy versus recent years.

On industry profitability, we have even lower conviction. The tumult in the Chinese auto industry over the last 12-18 months has provided a textbook example of our thesis that OEMs (and the government) can drive volume without value. 2015 was a horrific year for the industry, with excess capacity and aggressive pricing at local OEMs dragging down even Western-branded joint ventures (JVs, see our earlier [paper](#)).⁵ The year served as an important reminder for the industry and investors that autos are still essentially a commoditised product and there is a limit to the price spread that even a superior brand can command before customers are willing to trade down.

Since Q4, volumes in China have rebounded thanks to government subsidies, but this is likely to fizzle out over the course of the year and sets us up for a negative 2017 unless we see further stimulus measures. And despite better volumes, profitability continues to be destroyed as discounting continues apace, with Chinese consumers seemingly conditioned to expect falling prices.

Profitability in China is still high versus global averages, with most JVs making double-digit EBIT margins. However, we would expect margins to remain under pressure as mix worsens with more sales to lower-tier cities and rural areas, labour and content costs creep up towards developed world levels, and excess capacity depresses pricing. There are still over 100 Chinese automakers, many of whom are operating at very low utilisation and do not behave rationally due to state ownership and subsidies.

There are other emerging markets with huge growth potential relative to their current size (India and Indonesia in particular), but volumes over the next few years will not be big enough to move the needle for global OEMs, and ATPs are of course much lower. Passenger vehicle sales in India are one-tenth those in China, and Indonesia is half as small again, but still both markets have struggled to grow over the last few years. Brazil and Russia are (or at least were) more material, but penetration is already much higher and both markets are now in steep decline due to a poor macroeconomic environment. While certain OEMs will make money in certain markets, in general, global OEMs struggle to produce at an appropriate price point to serve mass market customers. Furthermore, excess capacity in all of these markets is severe thanks to protectionist policies in some countries and optimism universally outpacing reality.

OEM investment implications

1) *Geographic profit pools*

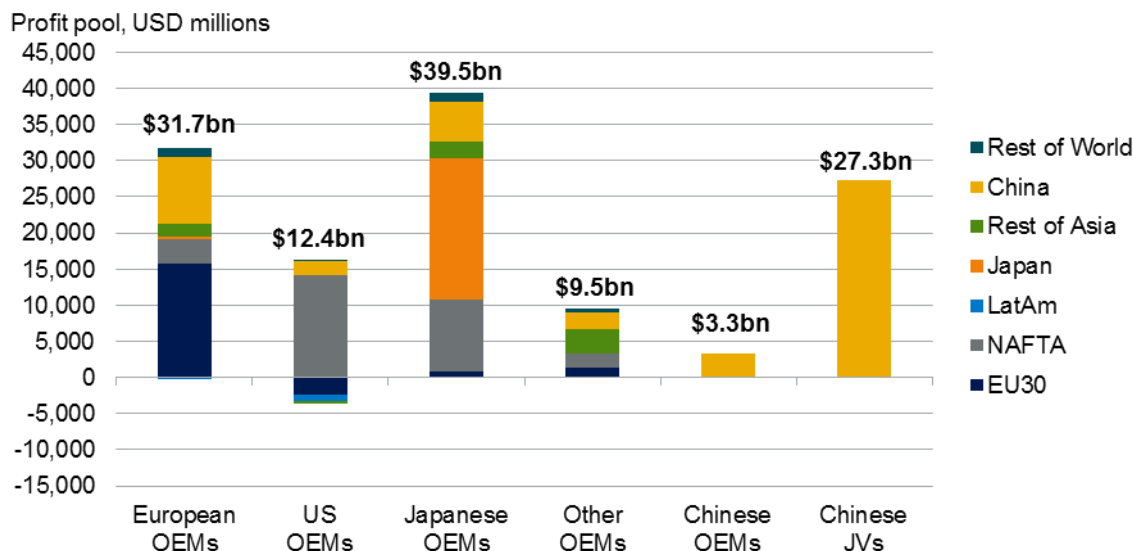
As discussed, we are most – though still not massively – optimistic on Europe. Yet, given all major automakers have global operations, how best to play this? Lack of disclosure and intra-company transactions (especially with Chinese operations) makes it tricky to detangle where automakers really make their money. Analysts at Redburn⁶ have conducted detailed analysis of the underlying geographical profit exposure of

⁵ Note that all global automakers producing vehicles in China are required to do so under a joint venture with a local Chinese partner. By joint ventures we essentially mean the Chinese operations of global automakers.

⁶ Redburn (July 2015), Global Automotive: Europe is the place to be.

global automakers, finding – perhaps unsurprisingly – that most still garner the majority of their profits in their home region. Europe accounts for an estimated 50-60% of operating profit for the Germans, and 80-90% for the French. Of course regional split is not the only relevant factor for stockpicking, but it does suggest these OEMs should have better near-term growth prospects than the US or Japanese.

Figure 6: Global auto profit pool split by region and domicile of OEM, 2014



Source: Redburn, based on bottom-up aggregation of data from 39 automotive OEMs. NB – these figures represent an educated guess and would be disputed by many OEMs. We suspect the breakdown for Japanese OEMs is particularly questionable given poorer disclosure here, and the greater reliance on exports and parts sales from Japan. In our view, a higher share of underlying OEM profit for the Japanese likely comes from ASEAN and NAFTA (North American Free Trade Agreement), though the domestic market, while structurally shrinking, remains remarkably profitable due to relatively high concentration.

One topic of hot industry debate in recent years has been the extent to which global – and in particular German – automakers are really reliant on China for profit. As well as associate income from JVs, which is disclosed (and furtively included in core auto margins for some companies), any automaker with a Chinese JV earns additional profit from royalties and parts sales to the JV, both at high margins. Furthermore, imports to the Chinese market have historically been very profitable, due to a rich mix and higher like-for-like pricing versus other markets, though this has contracted in the last couple of years. All of these profit streams tend to be booked in the domestic operations. A few years back, analysts feared that over half of the Germans' profit was really made in China. However, recent history suggests the true exposure is probably much lower: Redburn estimates around 20-30%⁷. For example, in 2015, BMW's JV volumes were flat, pricing under pressure, and imports 5% below 2013 levels, yet automotive profits still grew. Contrast this with the experience of 2012-13, when the European market was weak but China was strong, and automotive profits and margins fell: this suggests that Europe is a bigger profit driver.

2) Model cycles

Higher exposure to faster growing markets implies an OEM should grow its global market share, but there is also the question of what happens to share within markets. Market share in autos tends to be driven by one of two things: model cycles, which are (generally) positive for profitability, or aggressive pricing or incentives, which are not. Analysis of model cycles is something of a dark art – it is hard to predict whether a new model will be a hit with customers, and whether the margin benefit will be diluted by additional content and launch costs. However, it is a reasonable place to start when thinking about likely market share moves, focusing on relative model age versus competitors given share is a zero sum game.

⁷ Redburn (July 2015), Global Automotive: Europe is the place to be.

In the European mass market, VW took significant share during the downturn as it was the only manufacturer with the balance sheet strength to invest in product. The gap has subsequently narrowed and, going forward, there is probably not enough difference in model cycle cadence to drive material market share moves. Similarly, in the US market, there is not much to choose from between the players in terms of average product age, and there is a proliferation of new models coming across the industry. Combined with higher capacity, as discussed earlier, this is a recipe for intense competition and will limit the profitability of any given model refresh.

In China the degree of model proliferation (and OEM fragmentation) is phenomenal, especially in the popular SUV segment: almost 40 new budget SUVs were launched in 2015 alone.

In part because of their “copycat” manufacturing (experts tell us the Chinese tend to reverse engineer foreign models rather than designing from scratch), Chinese brands have much shorter development cycles and are able to churn out new models catering to prevailing tastes. This will ensure the competitive environment remains intense.

The other important consideration for investors, of course, is whether this bad news is already in the price, given the recent performance of the sector. Valuing auto stocks today is challenging because, as we have established, current earnings are likely at, or very close to, peak. In our view, at this point in the cycle investors should - and will - focus more on downside risk and longer-term earnings power for companies. We propose looking at metrics such as cyclically-adjusted PE (CAPE), which compares today's price to 10-year moving average earnings, capturing the last downturn but also the relative stability of subsequent earnings. On this basis, the sector overall looks cheap versus the global index, on around 16x CAPE versus the market on around 20x, but much less so than when we look at a simple PE relative, where autos are trading at 0.5x the market multiple. However, we see value beginning to emerge in some stocks, especially those with a better track record of delivering across the cycle.

Bullish investors would contend that CAPE is not a fair assessment of the value in auto stocks today, because the companies have taken out fixed cost and reduced their breakeven points to such an extent that their earnings during the last downturn are not a good indicator of performance in the next. We do not believe there have been fundamental changes in industry cost structure or mentality, as discussed above, but in any case we also conducted a “quick and dirty” downturn analysis based on today's (estimated) cost structure. This suggests that most OEMs should indeed fare better than in the last downturn, albeit almost all would still be loss-making. However, still relatively few names look compelling on a hypothetical mid-cycle PE (based on the mid-point of our downturn analysis and current earnings). We also look at balance sheet based valuations, which again throw up some stocks as cheap, but often with for good company-specific reasons. Overall, we feel that very few OEM stocks are at “close your eyes and buy” levels today.

Suppliers: too good to be true?

The market has been much more sanguine about the outlook for suppliers, which have re-rated materially versus the OEMs and held their rating much better in recent months (though it is worth noting that the supplier index also includes tyres, which are more defensive). Forecasts are still for mid-to-high single-digit revenue and profit growth, and the margin spread over OEMs to widen. However, we have to question how realistic this is. The simple truth is that if total global automotive industry revenues are flat, the profit equation is zero-sum: every dollar of growth in supplier revenue is a dollar less of OEM profit.

The consensus view is that suppliers are capturing more of the value in the auto industry and this can continue even as OEMs come under pressure. While this feels like a tentative position, our analysis makes us cautiously inclined to agree. The industry has witnessed a long-term trend towards outsourcing over the last several decades as OEMs attempt to reduce their fixed cost bases. Large suppliers are also able to produce componentry at lower unit cost, by specialising in one area and leveraging scale across the industry. While it is difficult to get any hard data on outsourcing trends, consultants estimate that the share of suppliers' value-add in auto production has risen from around 60% in 1990 to over 80% today. This is expected to continue as specialisation and scale means suppliers control a growing share of the intellectual property in

the auto industry, especially in cutting-edge technology.

Furthermore, consolidation in the supplier industry means that Tier 1, global suppliers (most of the listed names) are capturing a growing share of this growing pie, so the trends are exaggerated for the names investors focus on. Consolidation is being driven by platform manufacturing and vendor rationalisation at OEM groups, again attempting to maximise economies of scale. For some components, especially those where technological barriers are high such as turbochargers, the top three suppliers control as much as 80% of the global market. There has also been a large amount of M&A activity in the supplier space given high fragmentation pre-crisis and, unlike OEMs, deals between suppliers tend not to be hampered by political concerns around national champion status or employment concerns.

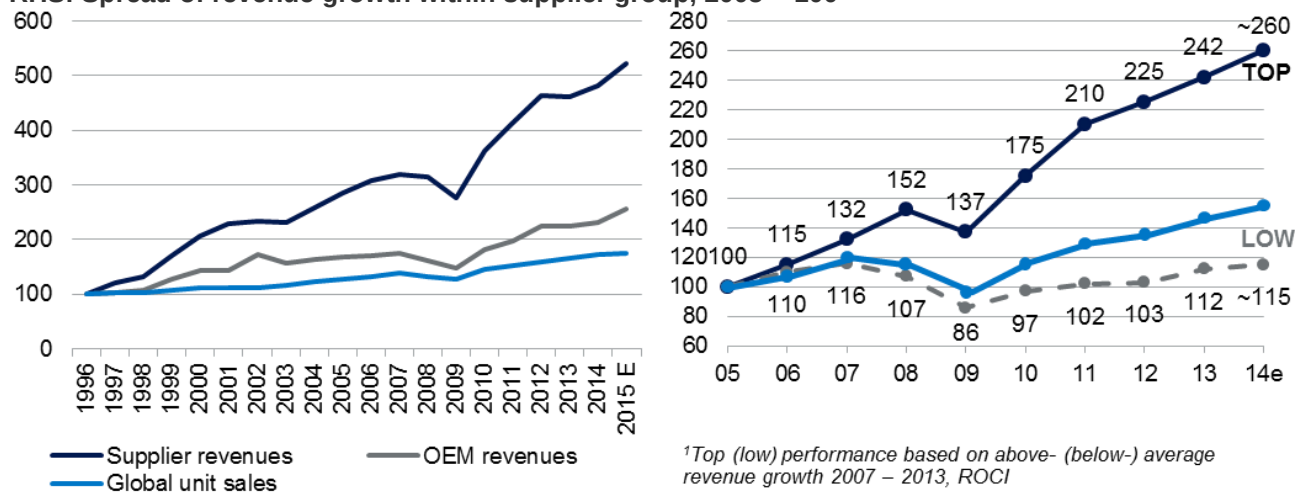
Conversely, OEM consolidation peaked in 1950-80s and has since largely dried up. While brands have continued to consolidate in developed markets (VW being the main consolidator), the number of automakers globally has actually been rising over the last decade due to the proliferation of Chinese OEMs. While we have struggled to source perfect data, our rough estimate is that the HHI (a measure of industry concentration) for the global auto industry has halved since the early 2000s primarily due to Chinese entrants.

Hence, supplier revenues have outgrown OEMs, and top-tier suppliers have outgrown smaller and unlisted suppliers, especially those producing more commoditised parts. This has unsurprisingly resulted in a growing profit spread between suppliers and OEMs, and again between supplier tiers, especially since the financial crisis.

Figure 7:

LHS: Supplier and OEM revenues versus global volumes, 1996=100

RHS: Spread of revenue growth within supplier group, 2005 = 100



Source: LHS: Exane BNP Paribas, Schroders. RHS: Roland Berger/Lazard.

Going forward, we expect these trends to continue despite slowing industry growth, as they did over 2000-07. As discussed above, OEMs are adding additional content per vehicle (CPV) to meet consumer demand and regulatory requirements, and the bulk of this content is produced by suppliers. Hence rising content per vehicle will continue to propel revenue growth ahead of volume growth for those suppliers that produce desirable – or required – content. And while we expect margin pressure at OEMs, we see a smaller risk for suppliers, provided volumes hold up. This is because supplier contracts contain fixed price reductions (typically 2-3% p.a.) over the life of the contract, and the supplier takes the risk on volumes (recall that the main aim of outsourcing was for OEMs to transfer fixed to variable costs). Hence supplier revenues and profits are highly cyclical in the event of a volume downturn, but should be more resilient in a “grinding higher” volume scenario. That said, we note that supplier margins are already at record levels and generally did not expand in the 2000-07 period, so would caution against forecasting material operating leverage from here.

One could argue that diminishing margins will cause OEMs to push for larger price-downs, but supplier contracts tend to be reasonably long-term in nature (typically the length of a model cycle i.e. 5 years) and Tier 1 suppliers are adamant that these are not renegotiated even in a downturn. Of course OEMs can still push for lower pricing on new contracts, but the trends above – consolidation and vendor rationalisation – mean that the bargaining power between OEMs and suppliers is far more balanced today, and has even swung in favour of suppliers in particularly concentrated areas. Whereas in the past, OEMs would have had a house supplier, beholden to them for a large proportion of revenues, today a Tier 1 supplier will serve nearly all global OEMs (plus many of the Chinese local players) and OEMs will have the choice of only a handful of credible suppliers for each part.

As an aside on the Chinese players, local OEMs and JVs alike are fitting out their vehicles with rapidly proliferating content from developed Tier 1 suppliers due to the lack of credible domestic competitors and to increase appeal to customers with high-end features. The local OEMs in particular have much lower bargaining power with these suppliers due to their smaller scale, hence suppliers generally admit to making much higher margins in China. This also provides another leg for above-industry growth, as content per vehicle in China and other emerging markets is well below developed (and especially European) levels, and will continue to rise even if industry volumes are lumpy.

Supplier investment implications

As such, we still prefer suppliers to OEMs, given the industry is more consolidated and more likely to grow profits in our base case of a low volume growth environment. That said, when we do get a downturn, suppliers have high operating leverage and are geared to auto production rather than sales volumes, which tends to swing more violently in a downturn due to inventory drawdowns. Furthermore, CPV growth is unlikely to be maintained in a downturn given consumers tend to trade down, either by buying smaller vehicles - which naturally have lower CPV - or by reducing their take-rate of option packages. The biggest risk to our more bullish thesis on suppliers is that take-rates begin to decline sooner due to tighter financing: this is a bigger risk to suppliers of “discretionary” content (infotainment, interiors etc.) than “regulated” content (emissions, safety).

Among supplier stocks, we prefer companies with exposure to products where pricing power and growth should be more resilient, such as mild-hybrid systems and ADAS (autonomous driver assistance systems). However, we would note that most Tier 1 suppliers have very diverse portfolios, and there is limited disclosure on the underlying product mix. Hence we look for best-in-class operators, with a proven track record of CPV growth and solid order books.

We also continue to like tyre stocks, given replacement tyre volumes (which are far more profitable than tyres for new vehicles) are a function of the vehicle fleet rather than unit sales. Given replacement patterns, tyre volume growth is driven by vehicle sales 3-4 years ago, implying the last few years of robust industry growth will represent a tailwind for tyres even as the front-book slows, and volumes will be more defensive in a downturn. The premium tyre makers also have a remarkable track record for pricing discipline, meaning we do not worry much about raw material trends. Tyre stocks are generally priced at a discount to other suppliers, which we believe is unwarranted at this point in the cycle given supplier earnings are closer to a cyclical peak.

That said, a preference for suppliers over OEMs is a consensus view and to some degree reflected in valuations. The CAPE ratios are unsurprisingly much higher, with most of the suppliers trading at a premium to the market on this measure versus a discount on headline PE. We believe backward-looking multiples are much less relevant for the suppliers given structural changes in the industry over the last decade, and the market clearly agrees.

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