Auto Parts Value Tracker: May

High Quality Stocks Nearing Fair Value; Higher Beta Names to Look At

Auto Parts, Tires

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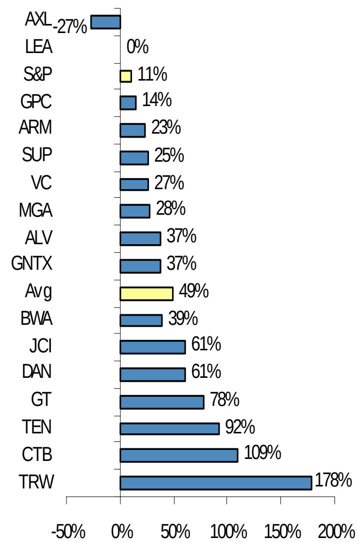
J.P. Morgan Securities Inc.

April Stock Price Performance



Source FactSet
Priced as of 30th Apr. 2009 COB.

- **Stock Views:** We continue to prefer Overweight rated tire stocks GT and CTB on confluence of more positive trending in miles driven (and easing consumer replacement tire shipments comps in 2H) and dramatically lower raw material costs (35% of tire COGS). We continue to favor stocks with strong balance sheets (Overweight rated BWA and ALV) and proven earnings resiliency even at current SAAR (dealers such as Overweight rated GPI and PAG), but given the recent rallies, valuation at ALV and GPI likely offers limited upside from here. High beta stocks worth looking at are TEN, DAN, and ARM, all of which have risky balance sheets but probably no imminent bankruptcy threat, in our view (although renewed pressure on Q2/Q3.09 NAFTA production is likely to offer pullbacks on many of these). We advise steering clear of LEA/AXL equity near-term.
- **US auto parts stocks rose 49% in April (vs. the S&P, +11%),** building on a 20% jump in March (vs. the S&P, + 9%) as the high beta sector rallied on further sequential improvement in consumer sentiment from record lows earlier in the year and signs of stabilizing US SAAR. The highest leverage names performed best (eg, TRW +178%, TEN +92%, DAN +61%). Tire names also stood out, with Overweight CTB and GT +109% and +78%, respectively, as miles driven ticked higher on a miles per day basis for the first time in over a year. The only two stocks in the sector to underperform the S&P were LEA (flat m/m) and AXL (-27% m/m), two stocks both highly levered to GM and, in our view, with reasonable risk of a strategic bankruptcy (particularly LEA) if GM files.
- **US car sales likely have bottomed this cycle but GM/Chrysler present key unknowns:** Retail SAAR, which has shown relative stability since Oct. 08 (eg, ~8MM) dipped 0.4MM m/m in April, which Ford mgmt. partly attributed to consumer worries over industry finances (in addition to consumers' own). Chrysler May sales will be critical, in our view, for determining the effect on overall SAAR from auto industry restructurings (we note SAAR, not just production, has dipped considerably during past strike periods which depleted individual automaker inventories, such as the 1998 GM-Delphi strike). On the positive side, we continue to believe the Treasury's TALF program will gradually aid auto credit availability (it has already led to dramatic narrowing in auto ABS spreads), and we place the odds of passage of a US vehicle scrappage program at 60%.

See page 23 for analyst certification and important disclosures.

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J.P. Morgan Auto Parts Coverage Universe by Rating

$ per share; priced as of Apr. 30, 2009; J.P. Morgan ratings: Overweight, Neutral, and Underweight

Overweight		*Neutral*		*Underweight*	
ALV	$24.67	AXL	$1.00	ARM	$1.24
BWA	$28.95	DAN	$0.79		
GT	$10.99	GNTX	$13.37		
CTB	$8.27	GPC	$33.96		
		JCI	$19.01		
		MGA	$33.96		
		TEN	$3.06		
		VC	$0.19		
		LEA	$0.80		
		TRW	$8.62		

Source: FactSet, J.P. Morgan.

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All data and valuation in the body of this report priced as of and up to 30th April 2009 COB. Note: The authors acknowledge the contribution of Vivek Aalok of J.P. Morgan Services India Private Ltd., Mumbai, to this report.

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Sector Valuation: Comparison Table

Table 1: Sector Comps

Name	Ticker	Price $	Rating	Mkt Cap $ MM	EV/EBITDA 2009E	2010E	EV/sales 2009E	2010E	P/E 2009E	2010E	EV/IC 2009E	ROIC/WACC 2009E	Net Debt** $ MM	Net Debt/Cap (latest)	Net Debt/EBITDA 2009E
Autoliv	ALV	24.67	O/W	1,739	8.1	5.3	67%	64%	NM	27.5	95%	0.0	1,021	31%	3.0
American Axle	AXL	1.00	N	52	6.1	4.3	77%	61%	NM	2.0	87%	0.3	864	202%	5.0
ArvinMeritor*	ARM	1.24	U/W	90	11.2	7.6	26%	26%	NM	NM	76%	0.0	800	1096%	1.9
Borg Warner	BWA	28.95	O/W	3,358	10.7	6.7	110%	87%	106.9	19.7	129%	0.4	626	24%	1.7
Dana	DAN	6.34	N	79	6.7	4.3	14%	13%	NA	NA	NA	NA	45	2%	0.1
Gentex	GNTX	13.37	N	1,833	19.9	15.4	329%	291%	70.6	34.9	239%	0.4	(333)	-95%	-4.4
Genuine Parts Comp	GPC	33.96	N	5,422	7.4	7.2	60%	59%	14.4	13.6	249%	2.4	367	14%	0.5
Johnson Controls*	JCI	19.01	N	11,282	13.4	7.6	56%	52%	72.1	15.2	124%	0.3	4,480	36%	1.6
Lear	LEA	0.80	N	62	7.9	2.7	23%	20%	NM	NM	-17%	0.0	1,935	91%	7.7
Magna	MGA	33.96	N	3,790	6.3	3.5	15%	14%	NM	30.8	37%	0.2	(1,548)	-27%	-4.2
Superior Industries*	SUP	15.08	-	403	27.8	9.7	61%	56%	NM	NM	NA	NA	(147)	-45%	-18.0
TRW	TRW	8.62	N	872	13.5	7.3	32%	30%	NM	NM	95%	-1.0	2,156	66%	10.3
Tenneco	TEN	3.06	N	142	5.8	4.0	37%	32%	NM	10.1	91%	0.5	1,324	130%	4.9
	Sec. Avg.				**11.3**	**6.4**	**47%**	**42%**	**66.0**	**19.2**	**109%**	**-0.1**		**35%**	**3.1**
Goodyear Tire	GT	10.99	O/W	2,652	6.4	5.3	60%	57%	NM	8.5	120%	1.0	3630	86%	2.6
Cooper Tire	CTB	8.27	O/W	487	7.1	4.6	52%	49%	NM	11.1	97%	0.3	411	58%	4.9
	Global Tire Sector Average				6.8	4.9	56%	53%	NM	9.8	108%	0.6		82%	2.9

Source: Bloomberg, First call, company reports, and J.P. Morgan estimates.

*:JPM Estimates for all the companies except SUP.

**: Based on latest reported data.

Global Tire Sector Average based upon 3/30/2009 closing prices.

Note: Based on closing prices as of 30th April 2009. J.P. Morgan ratings: OW = Overweight, N = Neutral, and UW = Underweight.

EV/Sales: 2009E & 2010E Sector Average multiple excludes GNTX

P/E: 2009E & 2010E sector Average multiple includes ALV, BWA, GPC, GNTX and JCI.

EV/IC 2008E & 2009E sector Average multiple excludes DAN and SUP.

Net Debt/Cap: Based on latest reported net debt

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Sector Valuation: ROIC-Based and Market-Relative Metrics

Figure 1: Auto Parts Sector Average EV/EBITDA, 1-yr forward

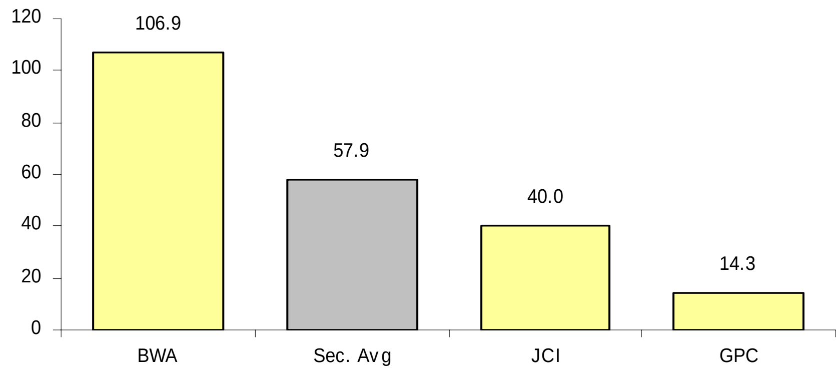
Source: J.P. Morgan estimates. Excludes GPC,GNTX and SUP. Does not include GT & CTB

Figure 2: Average EV/Sales Auto Parts (One Year Forward)

Source: FactSet.

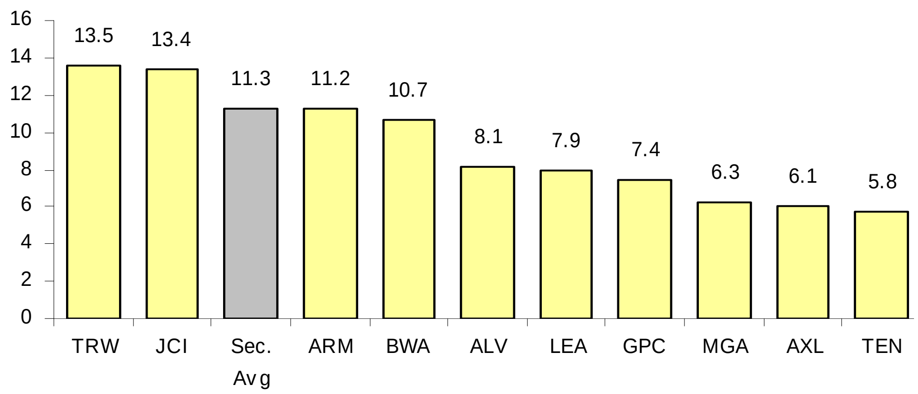
Absolute Sector one year forward EV/Sales excludes GPC, GNTX, LEA and SUP. Does not include GT & CTB

Figure 3: 2009E P/E (Consensus)



Source: I/B/E/S. Sec Avg. Sector average does not include GT & CTB

Figure 4: 2009E EV/EBITDA



Source: J.P. Morgan estimates; Sector average does not include GT & CTB

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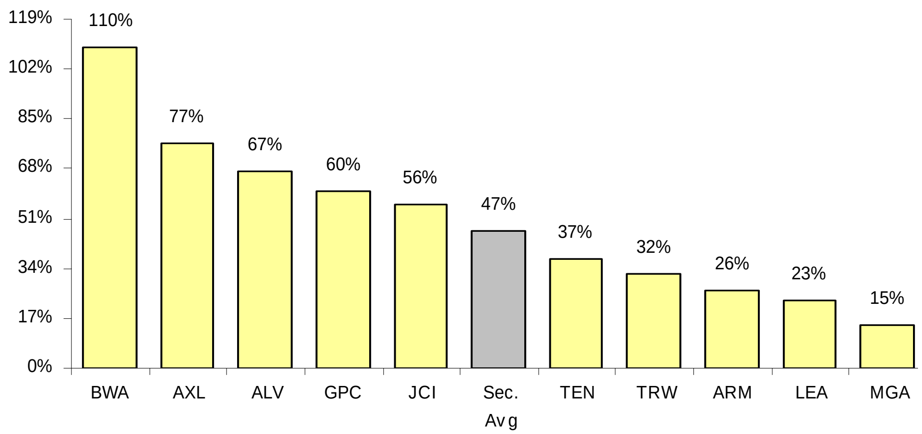
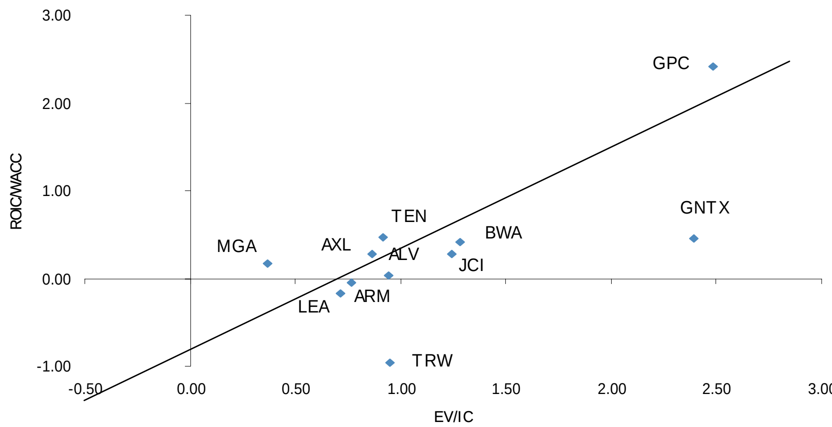
Sector Valuation: Traditional Metrics

Figure 5: 2009E EV/sales



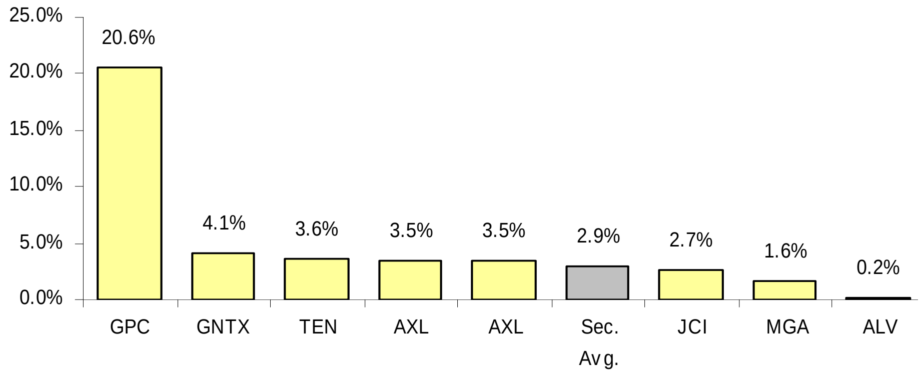
Source: J.P. Morgan estimates. Sector average does not include GT & CTB

Figure 6: EV/IC vs. ROIC/WACC, 2009E



Source: J.P. Morgan estimates. Definitions: EV=market cap + net debt + after tax retiree obligations + minorities

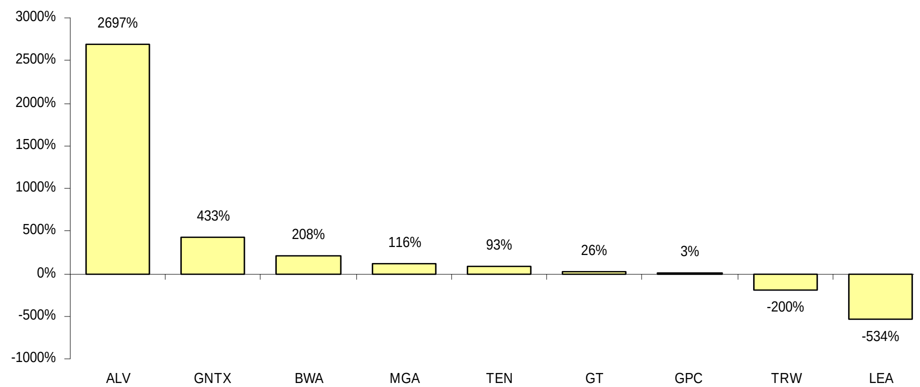
Figure 7: 2009E ROIC



Source: J.P. Morgan estimates. Sector average does not include GT & CTB

Definitions: ROIC = NOPAT/IC. IC = Net debt + equity + after tax retiree obligations.

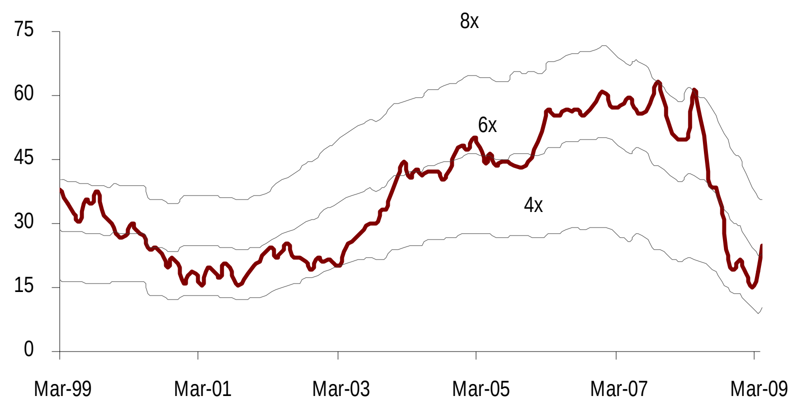
Figure 8: Premium/(Discount) of EV/IC to ROIC/WACC, 2009E



Source: J.P. Morgan estimates.

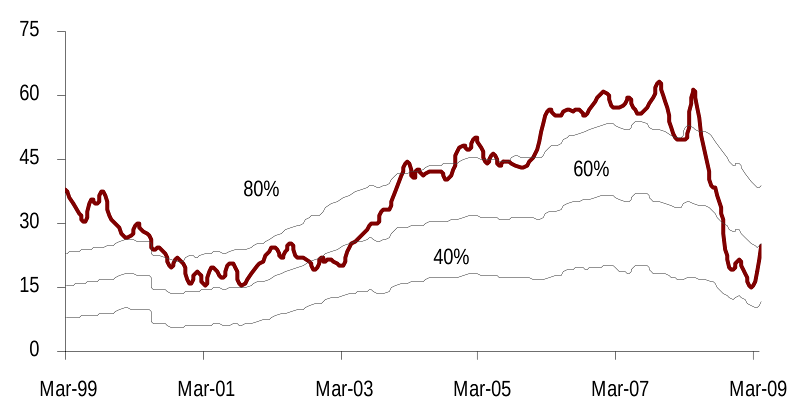
Autoliv (Overweight)

Figure 9: ALV Actual Sh. Price vs. Implied Sh. Price at Various EV/EBITDA Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



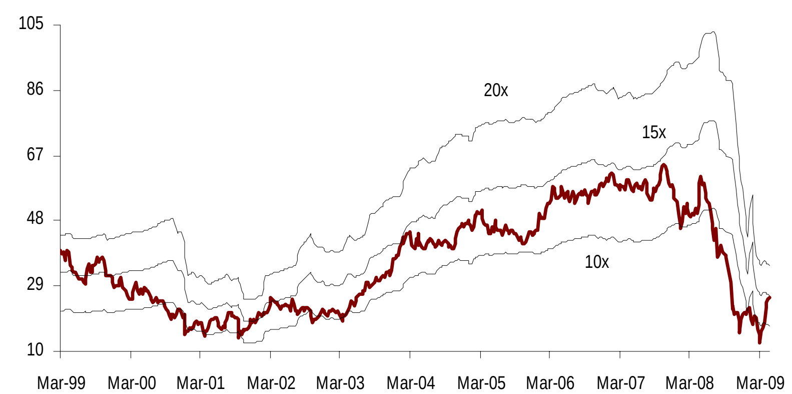
Source: J.P. Morgan estimates.

Figure 10: ALV Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



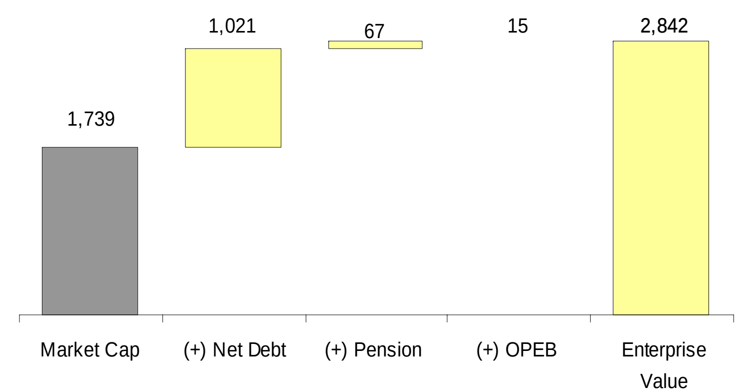
Source: J.P. Morgan estimates.

Figure 11: ALV Actual Share Price vs. Implied Share Price at Various P/E Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 12: ALV Enterprise Value Components*
$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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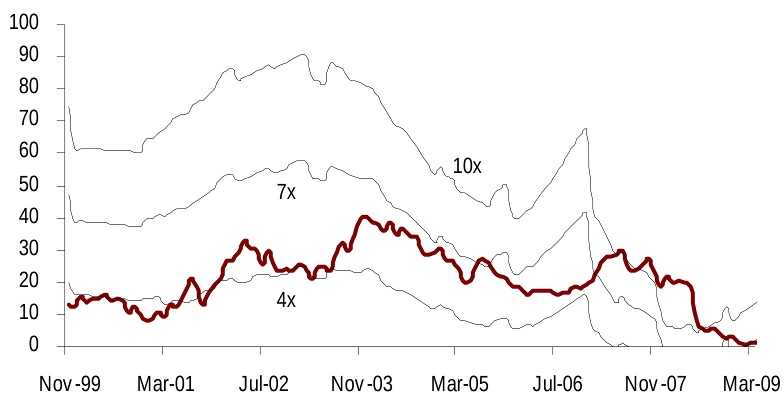
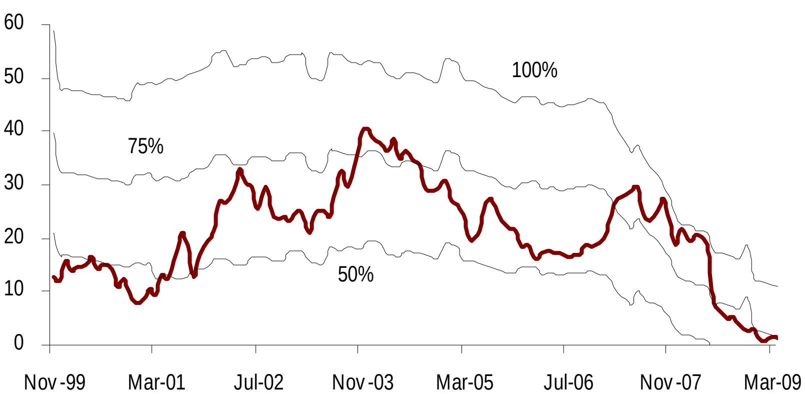
American Axle (Neutral)

Figure 13: AXL Actual Sh. Price vs. Implied Sh. Price at Various EV/EBITDA Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



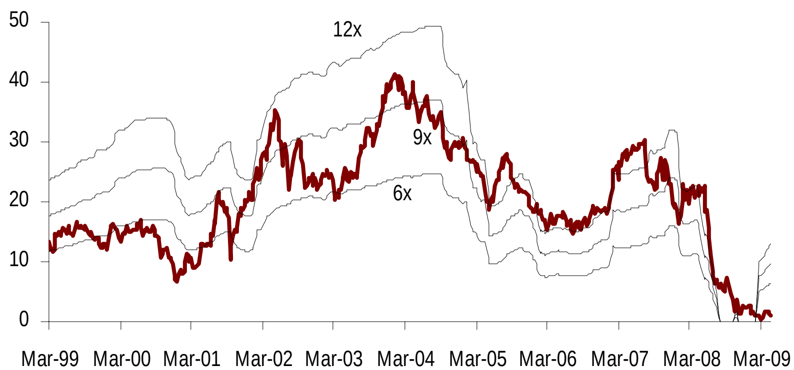
Source: J.P. Morgan estimates.

Figure 14: AXL Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



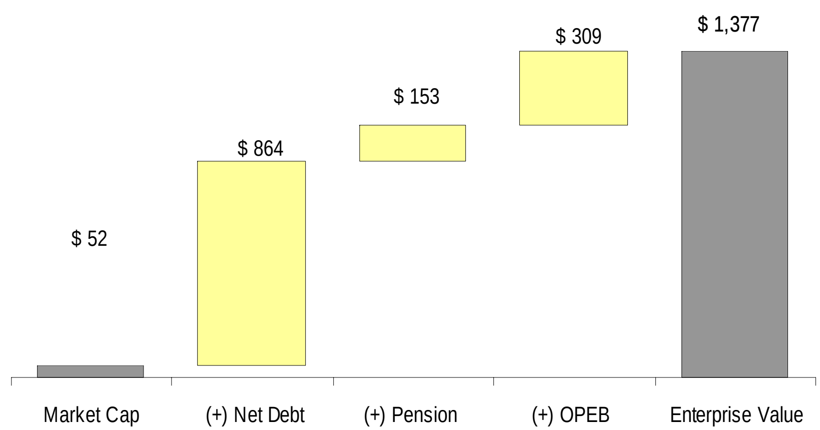
Source: J.P. Morgan estimates.

Figure 15: AXL Actual Share Price vs. Implied Share Price at Various P/E Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 16: AXL Enterprise Value Components*
$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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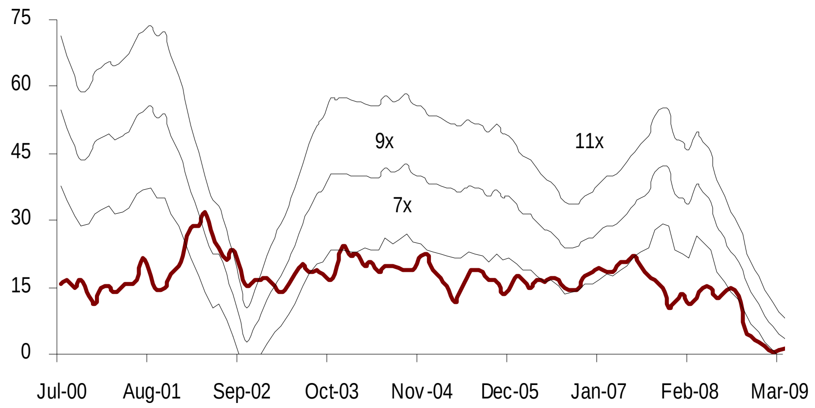
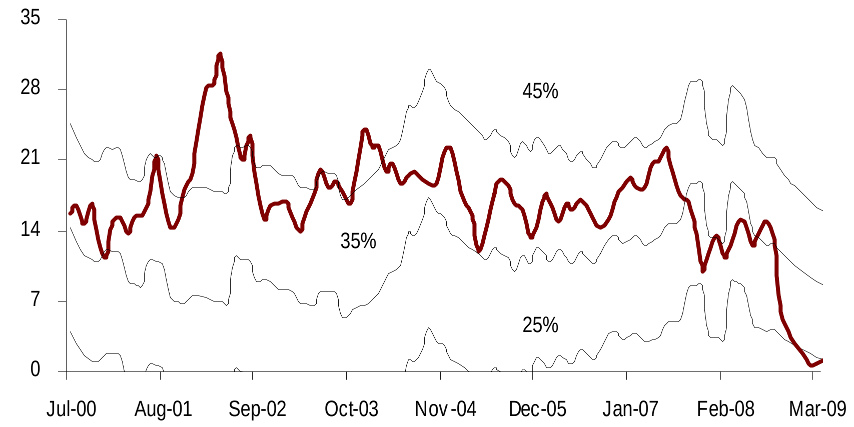
ArvinMeritor (Underweight)

Figure 17: ARM Actual Sh. Price vs. Implied Sh. Price at Various EV/EBITDA Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



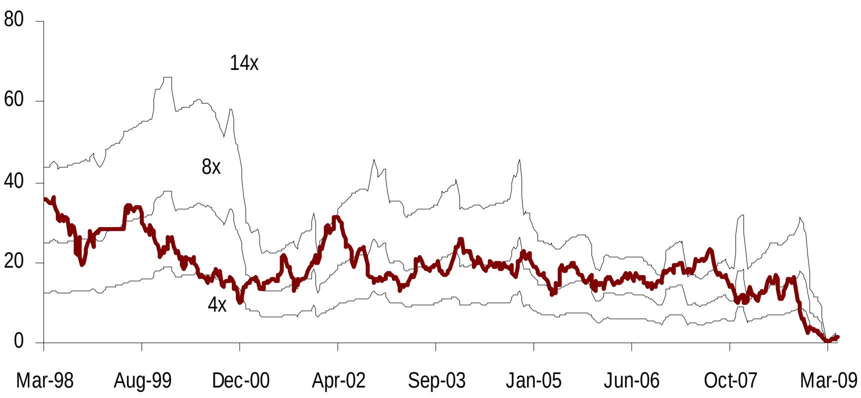
Source: J.P. Morgan estimates.

Figure 18: ARM Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



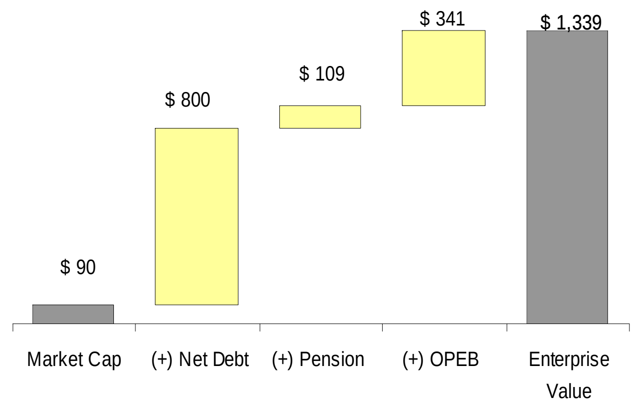
Source: J.P. Morgan estimates.

Figure 19: ARM Actual Share Price vs. Implied Share Price at Various P/E Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 20: ARM Enterprise Value Components*
$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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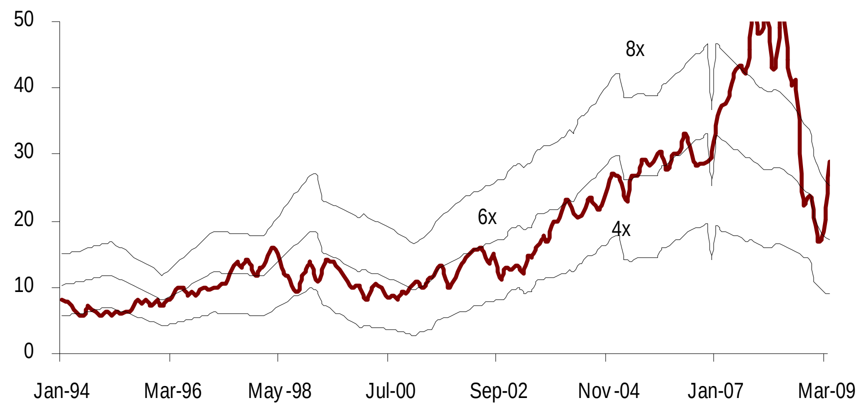
BorgWarner (Overweight)

Figure 21: BWA Actual Share Price vs. Implied Share Price at Various EV/EBITDA Multiples

$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 22: BWA Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples

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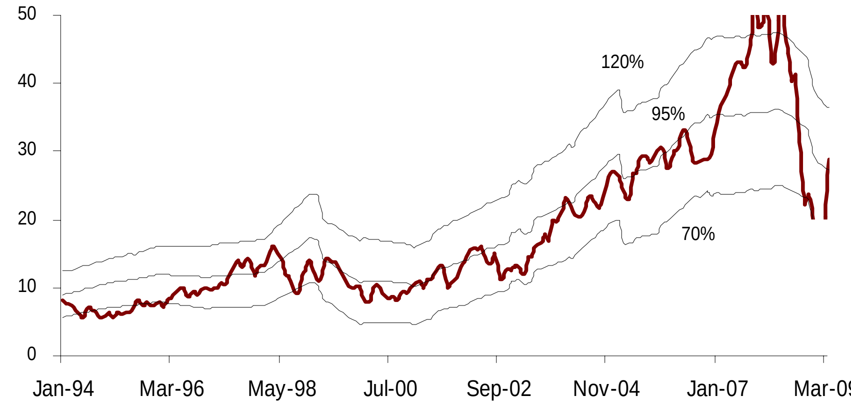
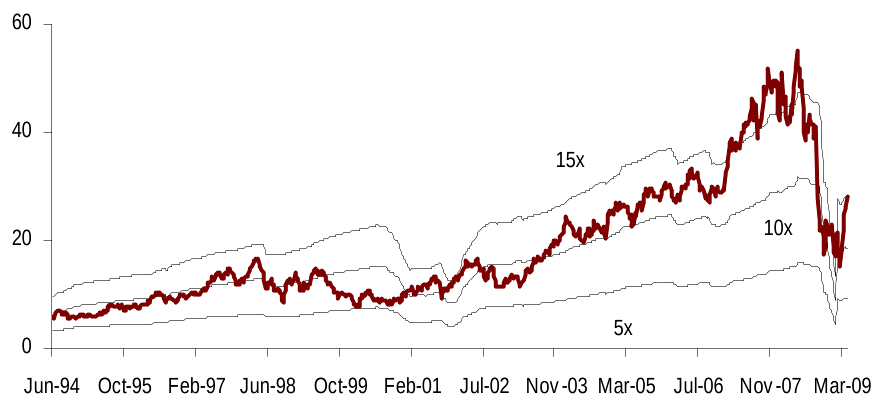


Source: J.P. Morgan estimates.

Figure 23: BWA Actual Share Price vs. Implied Share Price at Various P/E Multiples

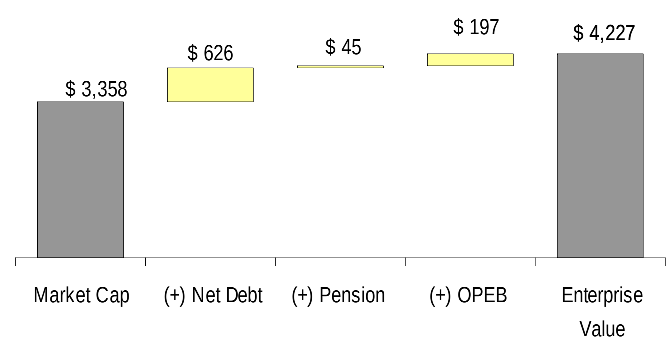
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 24: BWA Enterprise Value Components*

$ millions

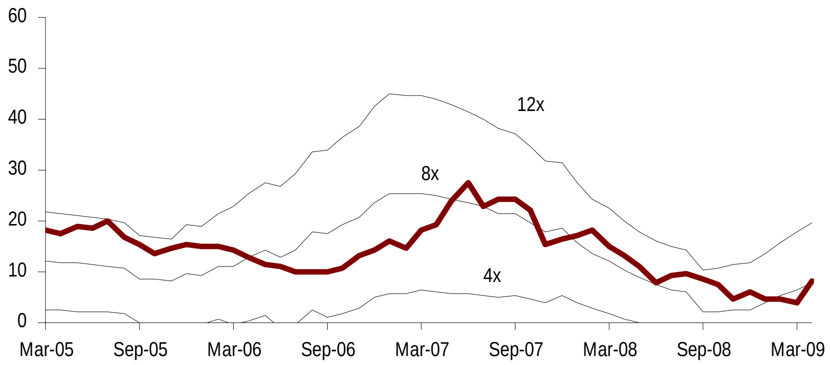


Source: J.P. Morgan estimates. * Based on latest reported data.

Cooper Tire (Overweight)

Figure 25: CTB Actual Share Price vs. Implied Share Price at Various EV/EBITDA Multiples

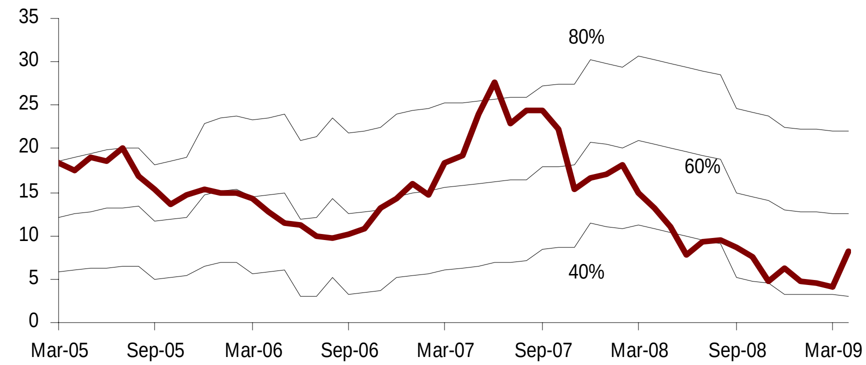
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 26: CTB Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples

$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 27: CTB Actual Share Price vs. Implied Share Price at Various P/E Multiples

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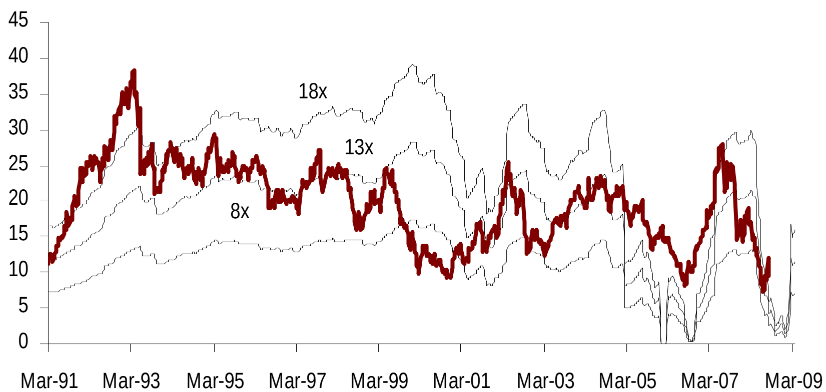
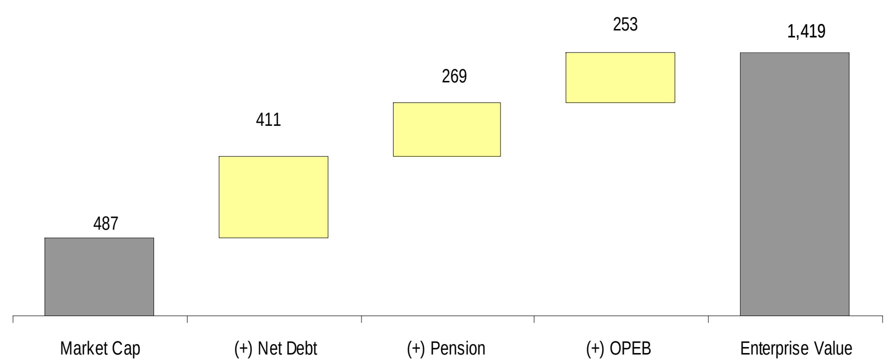


Source: FactSet.

Figure 28: CTB Enterprise Value Components*

$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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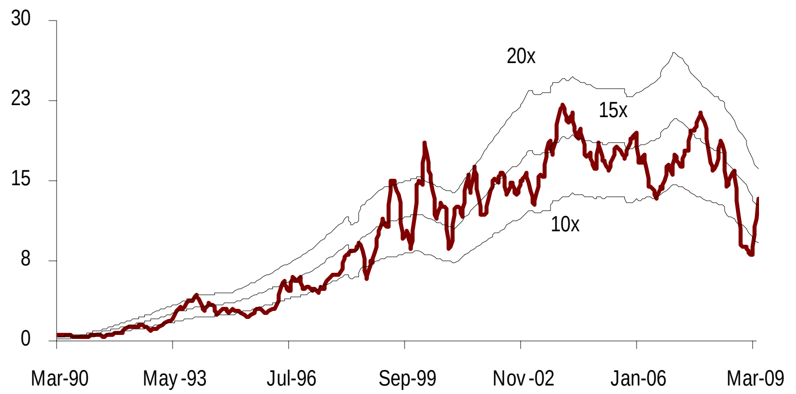
Gentex (Neutral)

Figure 29: GNTX Actual Sh. Price vs. Implied Sh. Price at Various EV/EBITDA Multiples

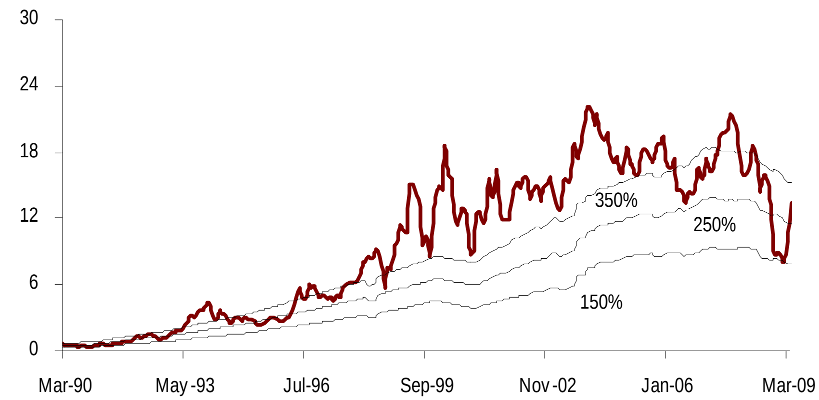
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 30: GNTX Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples

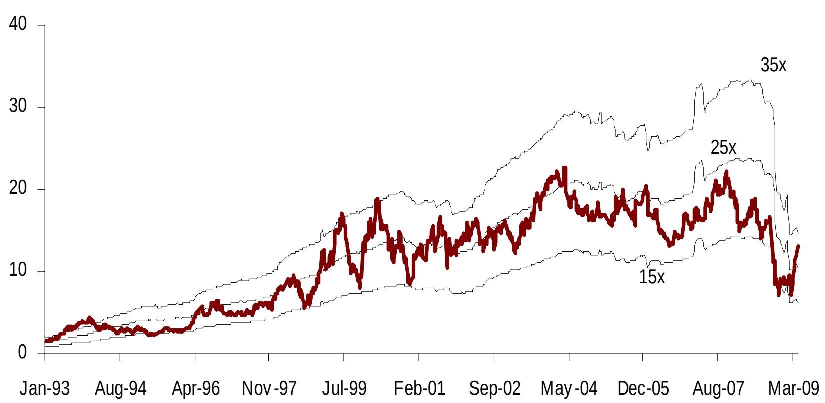
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 31: GNTX Actual Share Price vs. Implied Share Price at Various P/E Multiples

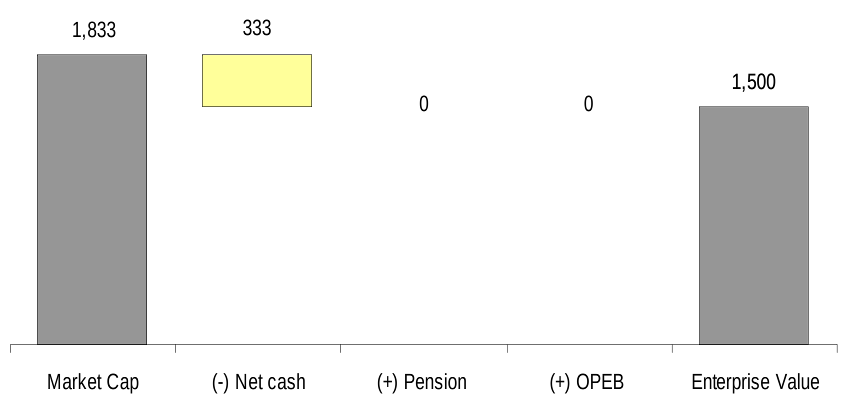
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 32: GNTX Enterprise Value Components*

$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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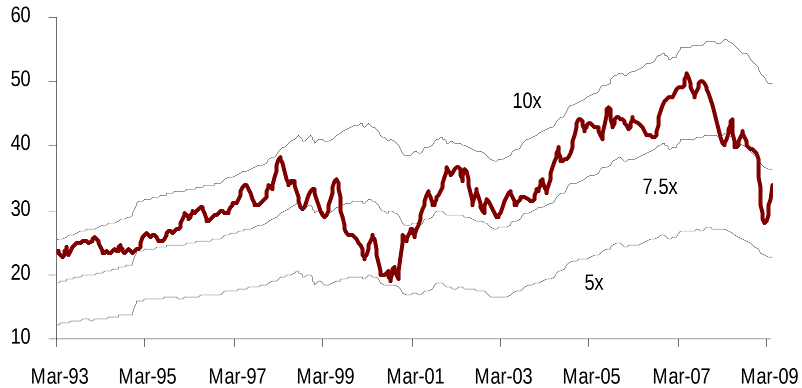
Genuine Parts Company (Neutral)

Figure 33: GPC Actual Sh. Price vs. Implied Sh. Price at Various EV/EBITDA Multiples

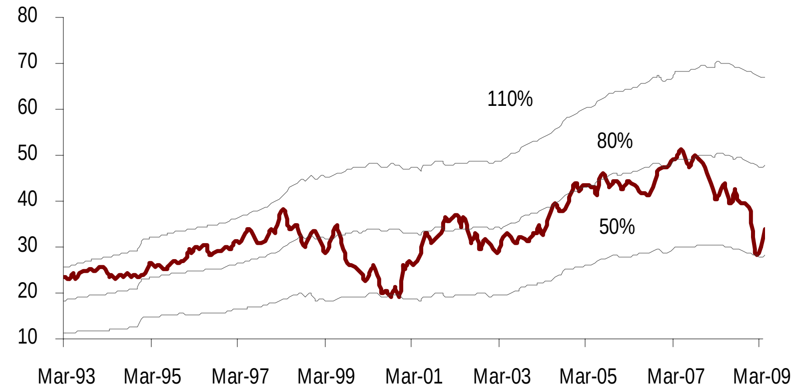
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 34: GPC Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples

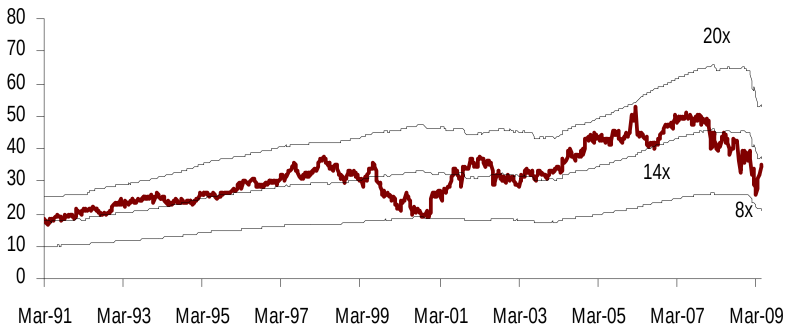
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 35: GPC Actual Share Price vs. Implied Share Price at Various P/E Multiples

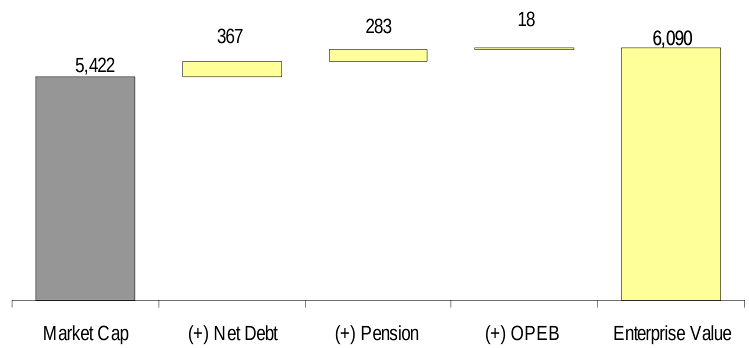
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 36: GPC Enterprise Value Components*

$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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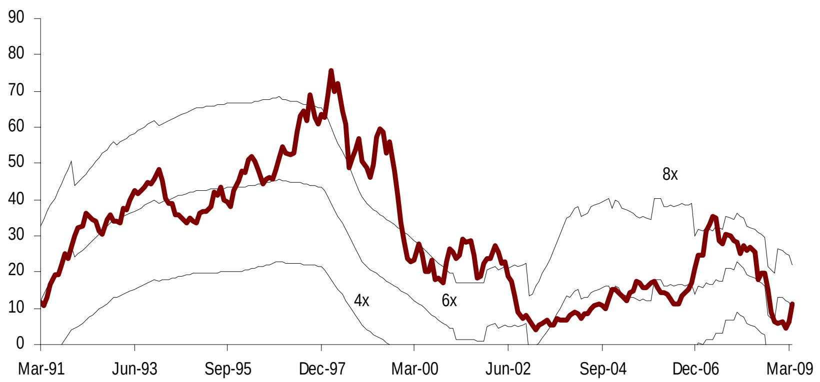
Goodyear Tire and Rubber (Overweight)

Figure 37: GT Actual Share Price vs. Implied Share Price at Various EV/EBITDA Multiples

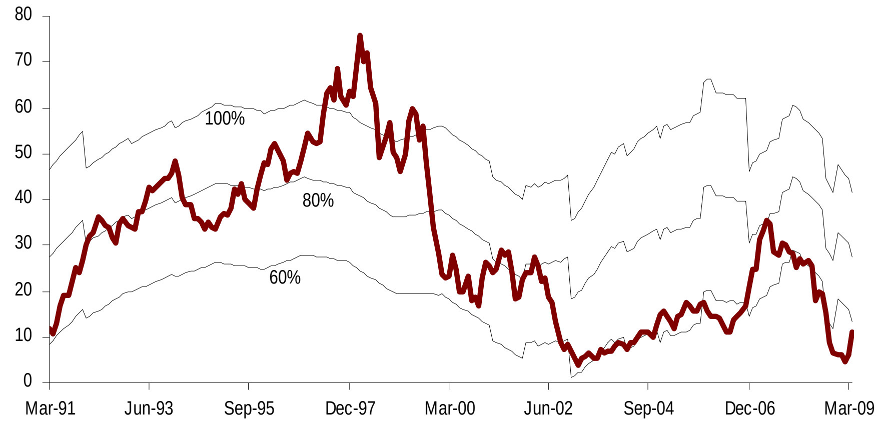
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 38: GT Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples

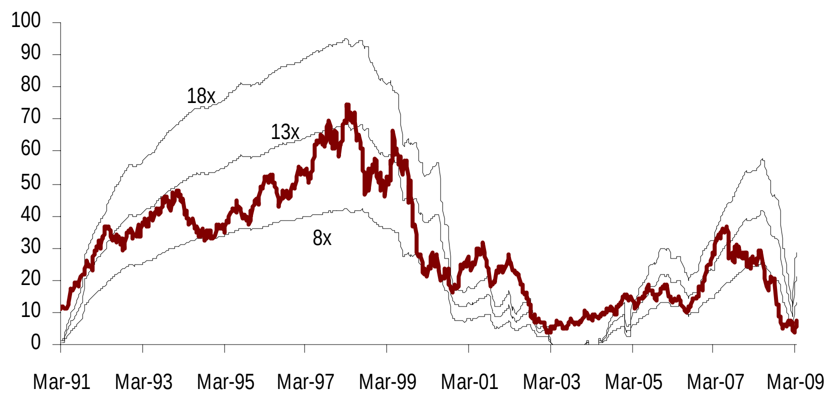
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 39: GT Actual Share Price vs. Implied Share Price at Various P/E Multiples

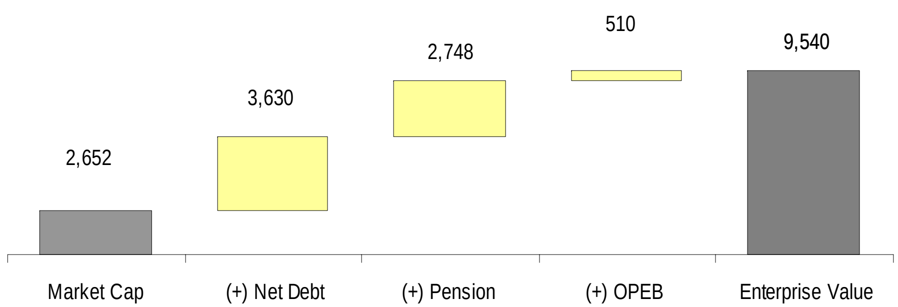
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 40: GT Enterprise Value Components*

$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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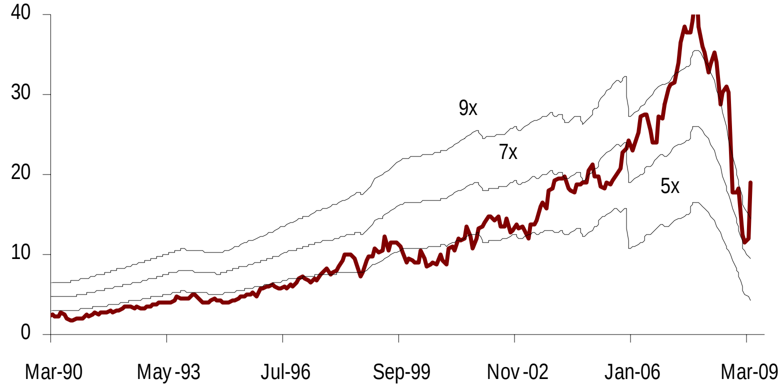
Johnson Controls (Neutral)

Figure 41: JCI Actual Share Price vs. Implied Share Price at Various EV/EBITDA Multiples

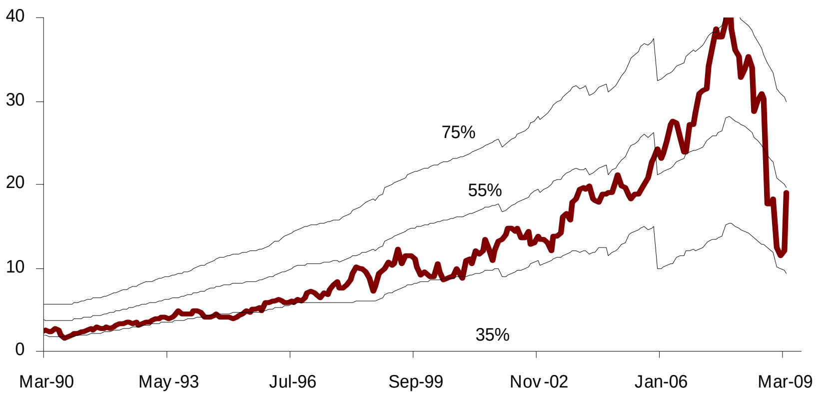
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 42: JCI Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples

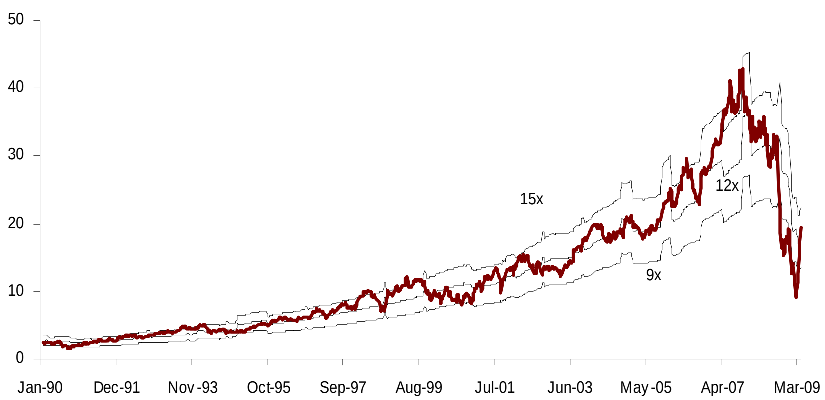
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 43: JCI Actual Share Price vs. Implied Share Price at Various P/E Multiples

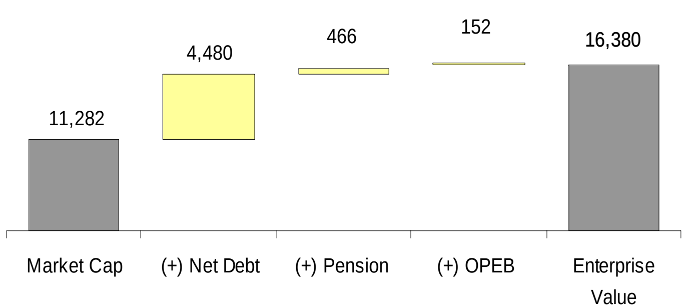
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 44: JCI Enterprise Value Components*

$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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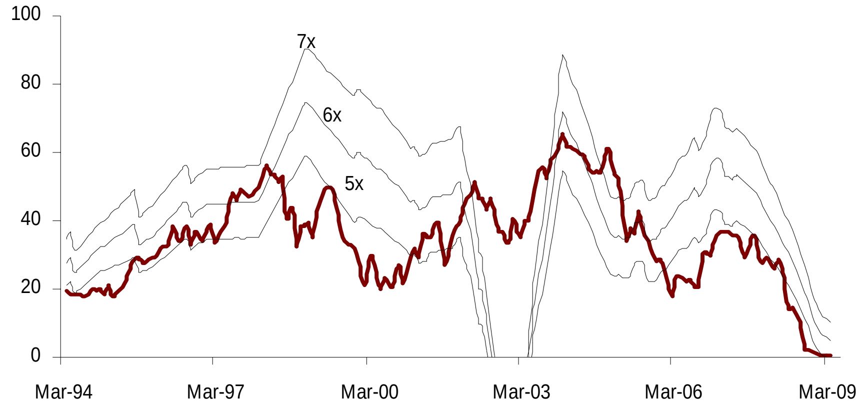
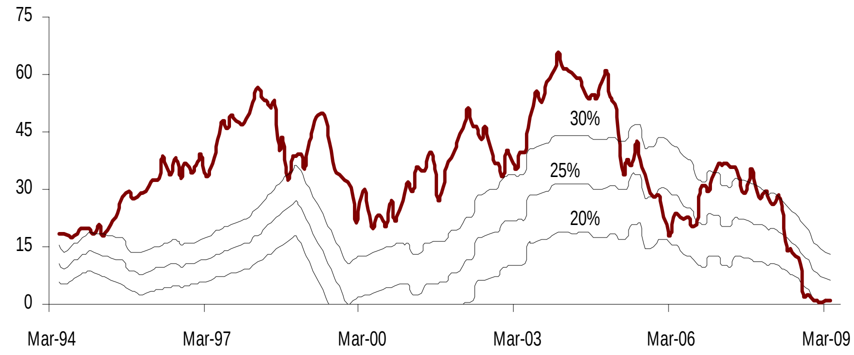
Lear (Neutral)

Figure 45: LEA Actual Share Price vs. Implied Share Price at Various EV/EBITDA Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



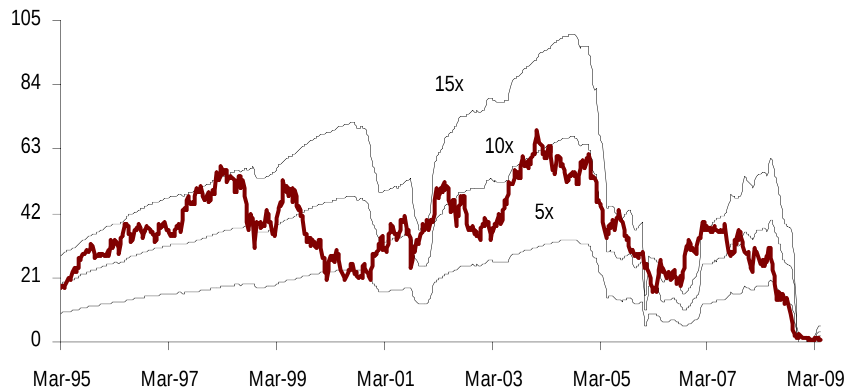
Source: J.P. Morgan estimates.

Figure 46: LEA Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



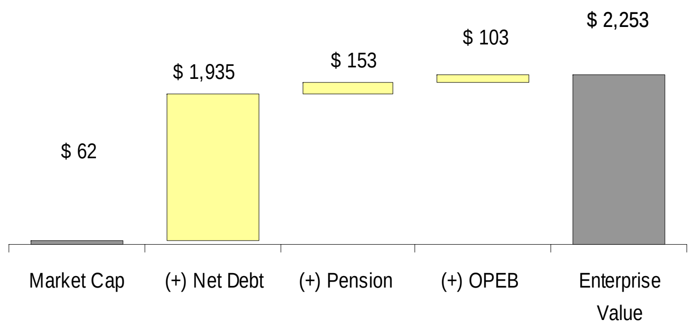
Source: J.P. Morgan estimates.

Figure 47: LEA Actual Share Price vs. Implied Share Price at Various P/E Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 48: LEA Enterprise Value Components*
$ millions



Source: J.P. Morgan estimates.
* Based on latest reported data.

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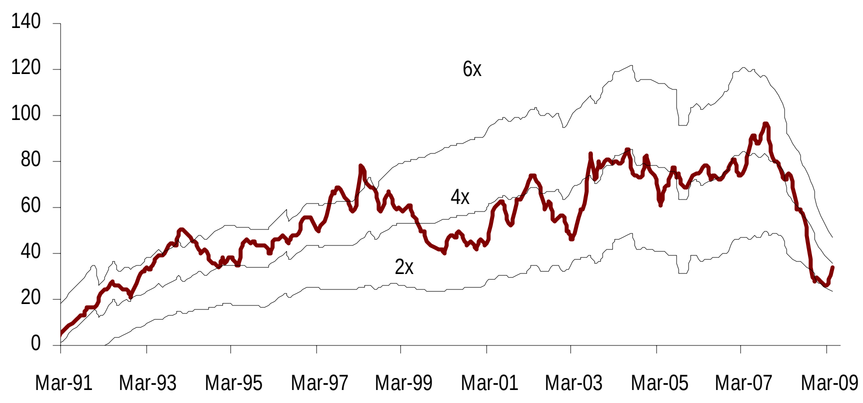
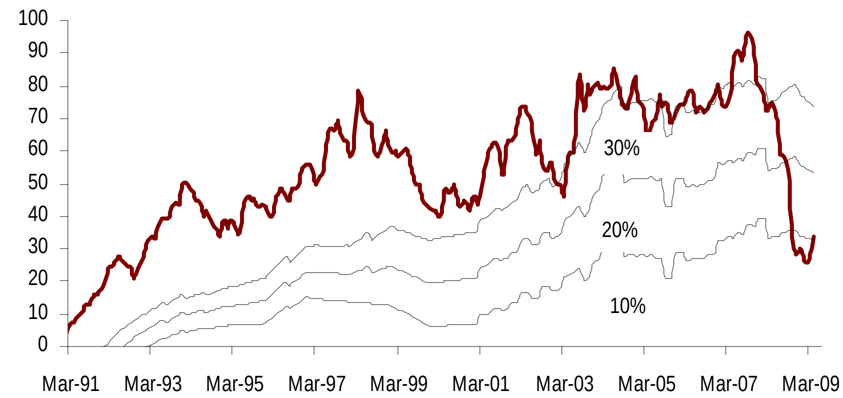
Magna (Neutral)

Figure 49: MGA Actual Share Price vs. Implied Share Price at Various EV/EBITDA Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



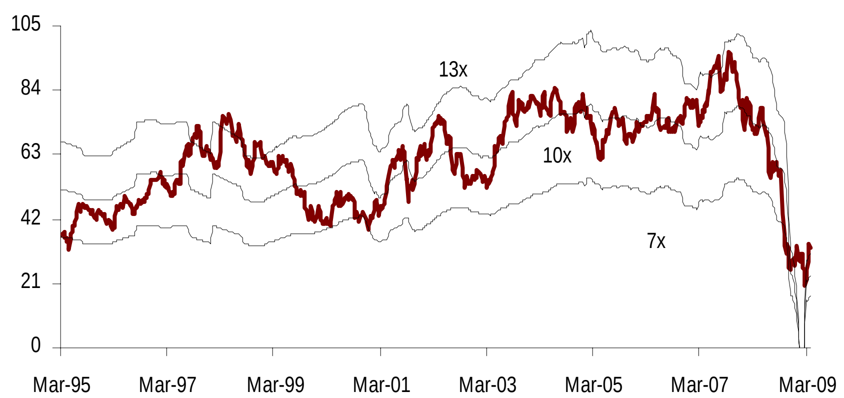
Source: J.P. Morgan estimates.

Figure 50: MGA Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



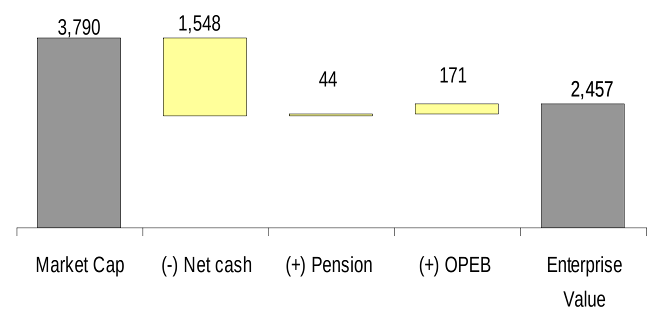
Source: J.P. Morgan estimates.

Figure 51: MGA Actual Share Price vs. Implied Share Price at Various P/E Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

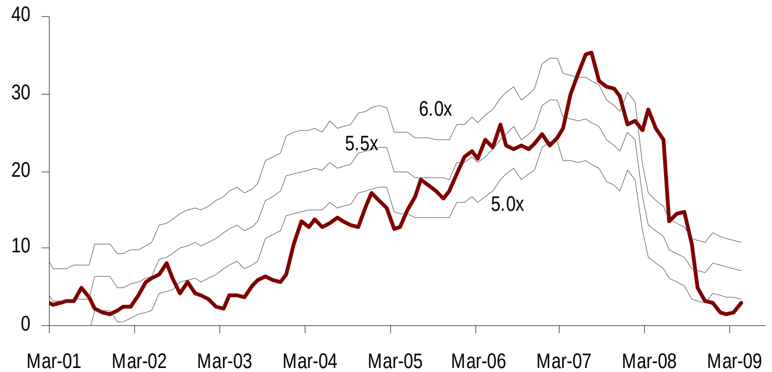
Figure 52: MGA Enterprise Value Components*
$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

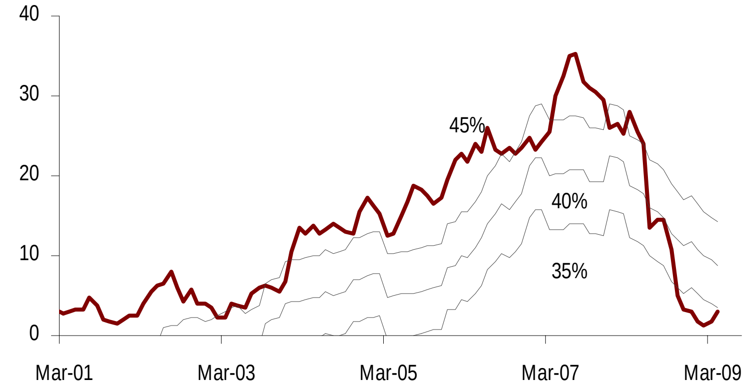
Tenneco Automotive (Neutral)

Figure 53: TEN Actual Share Price vs. Implied Share Price at Various EV/EBITDA Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



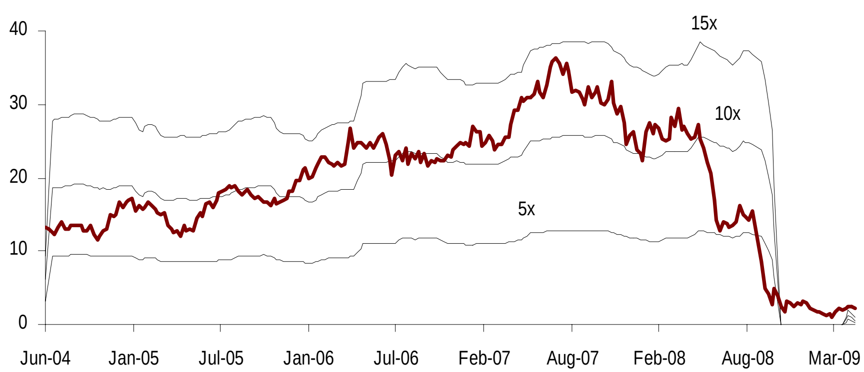
Source: J.P. Morgan estimates.

Figure 54: TEN Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



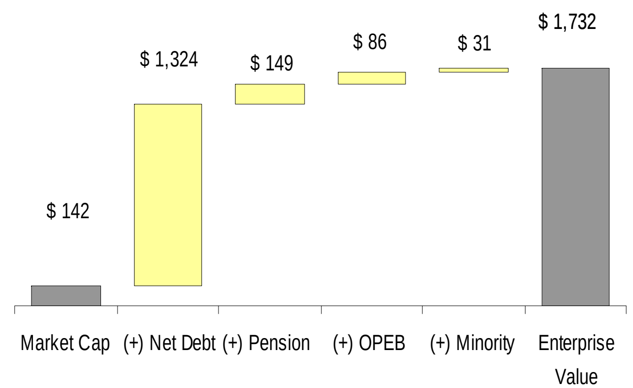
Source: J.P. Morgan estimates.

Figure 55: TEN Actual Share Price vs. Implied Share Price at Various P/E Multiples
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.

Figure 56: TEN Enterprise Value Components*
$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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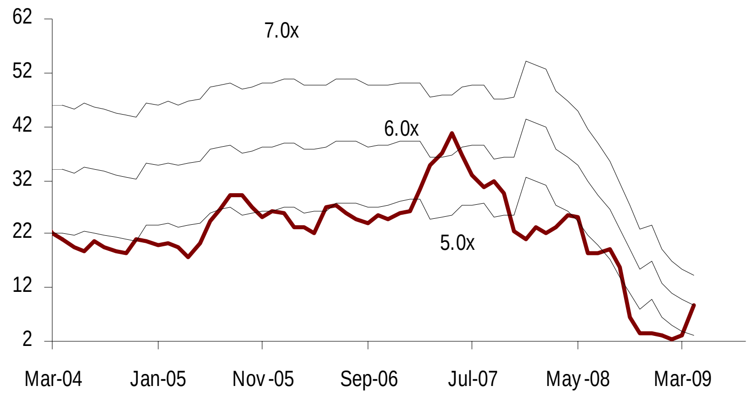
himanshu.patel@jpmorgan.com

TRW Automotive (Neutral)

Figure 57: TRW Actual Share Price vs. Implied Share Price at Various EV/EBITDA Multiples

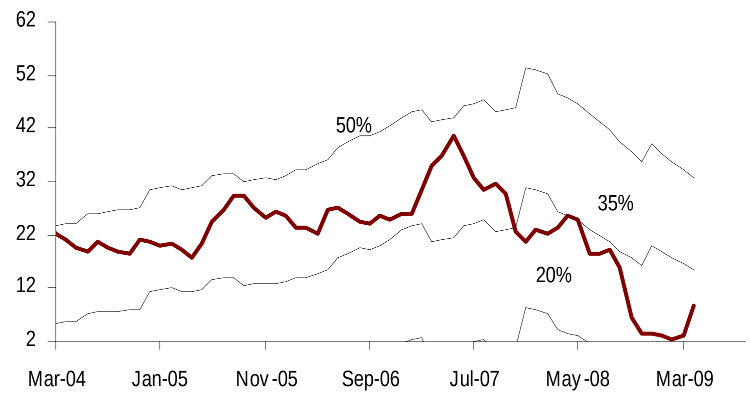
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 58: TRW Actual Share Price vs. Implied Share Price at Various EV/Sales Multiples

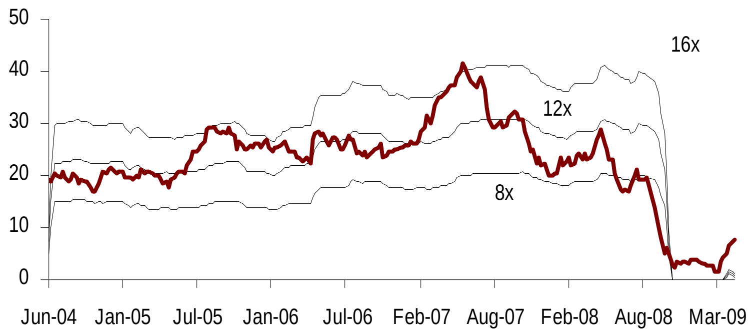
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: J.P. Morgan estimates.

Figure 59: TRW Actual Share Price vs. Implied Share Price at Various P/E Multiples

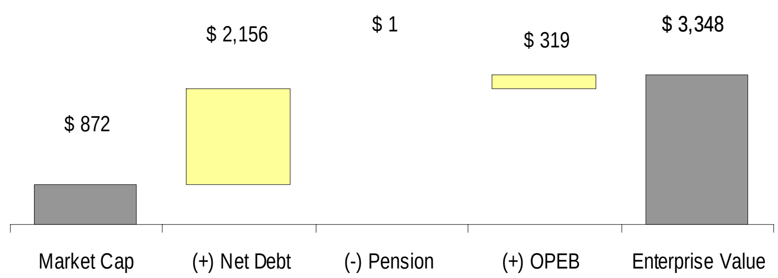
$, dark line = *actual* price, light lines = *implied* price at various multiples



Source: FactSet.-

Figure 60: TRW Enterprise Value Components*

$ millions



Source: J.P. Morgan estimates. * Based on latest reported data.

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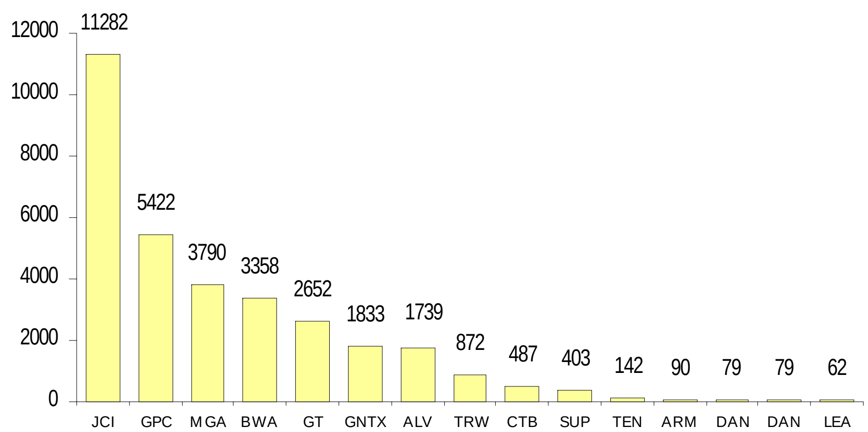
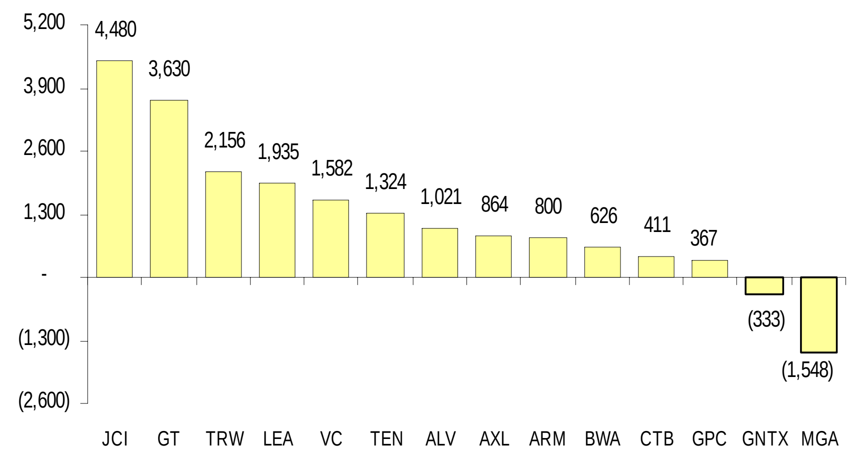
Appendix I: Summary Data

Figure 61: US Auto Parts: Rank Ordered Market Capitalization
$ millions



Source: FactSet.

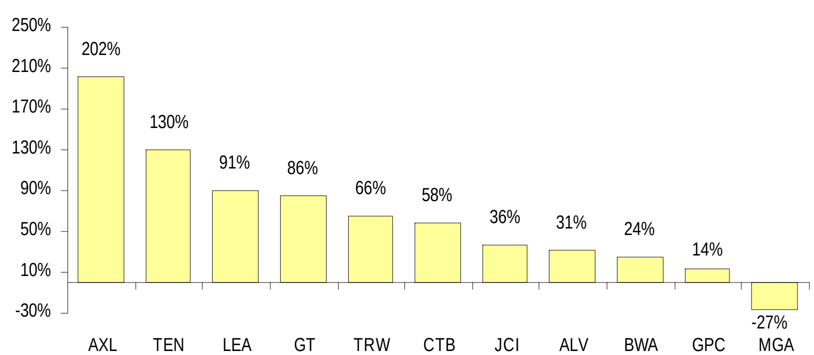
Figure 62: Net Debt/(Cash)*
$ millions



Source: J.P. Morgan estimates.

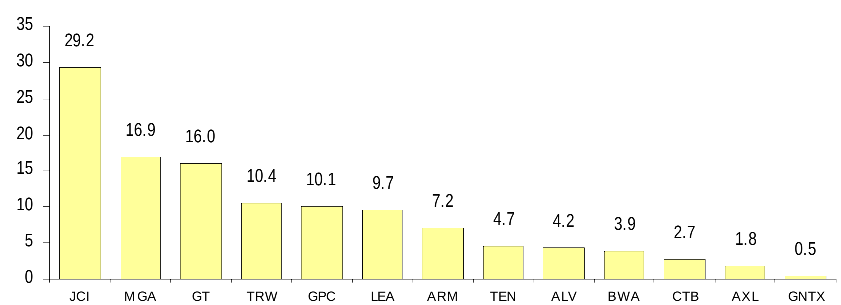
* Latest reported.

Figure 63: Net Debt to Cap
based on latest reported data



Source: J.P. Morgan estimates.

Figure 64: US Auto Parts: Rank Ordered Sales (2009E)
$ billions



Source: J.P. Morgan estimates.

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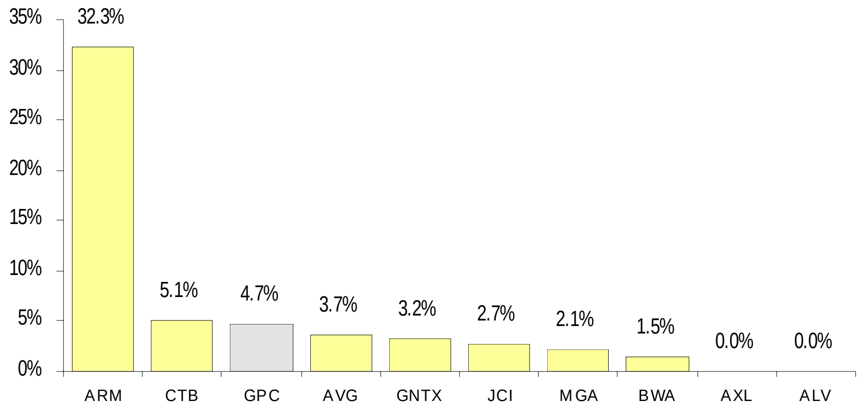
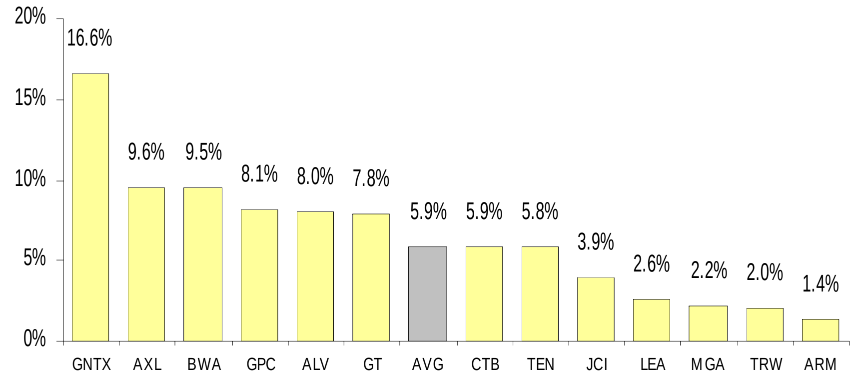
Appendix I: Summary Data (cont.)

Figure 65: US Auto Parts: 2009E Dividend Yield



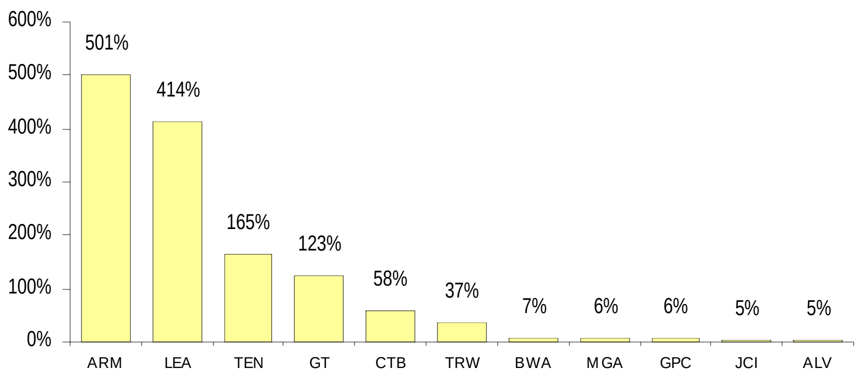
Source: Company releases. Yield based on latest announced quarterly dividends for 08. For MGA 05 figures are used.

Figure 66: US Auto Parts: 2009E EBITDA Margin



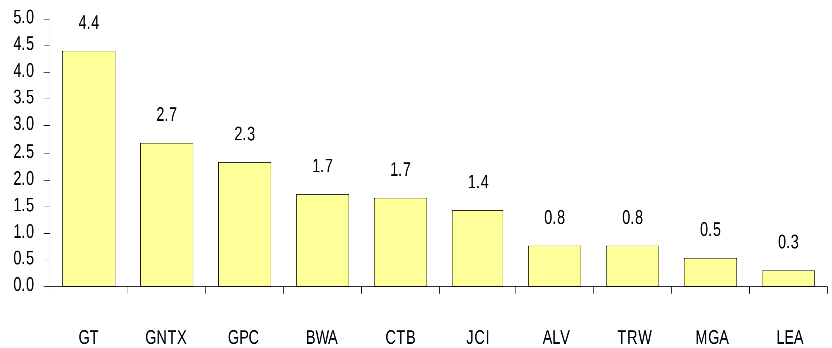
Source: J.P. Morgan estimates.

Figure 67: US Auto Parts: Pension & OPEB Under-funding as % of Current Market Cap.



Source: FactSet, Pension and OPEB under-funding based on latest reported company data.

Figure 68: US Auto Parts: Price to Book



Source: FactSet.

Companies Recommended in This Report (all prices in this report as of market close on 04 May 2009)
Group 1 Automotive, Inc (GPI/$23.49/Overweight), Penske Automotive Group, Inc. (PAG/$13.56/Overweight)

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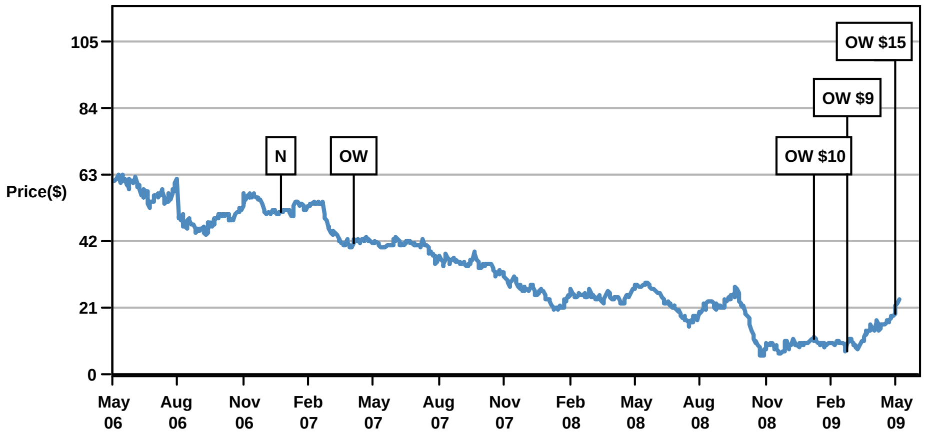
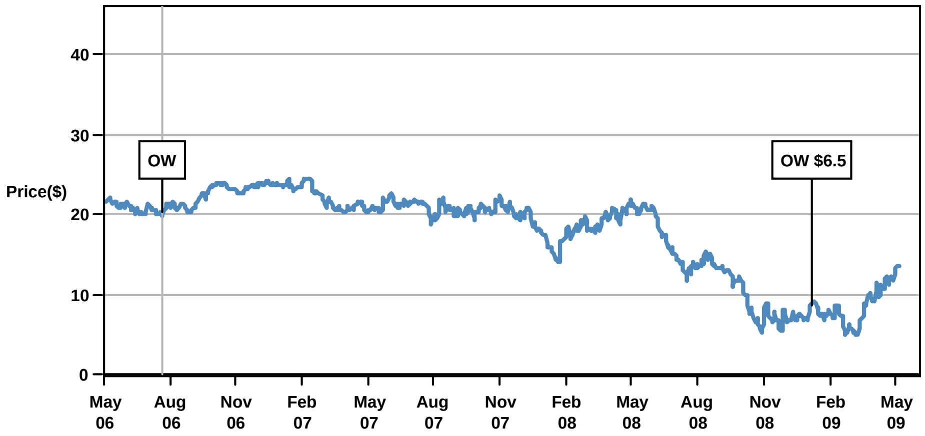
Group 1 Automotive, Inc (GPI) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
22-Dec-06	N	51.20	-
04-Apr-07	OW	41.31	-
05-Jan-09	OW	11.04	10.00
20-Feb-09	OW	7.42	9.00
29-Apr-09	OW	18.94	15.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Dec 22, 2006. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Penske Automotive Group, Inc. (PAG) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
20-Jul-06	OW	20.19	-
05-Jan-09	OW	8.52	6.50

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
Break in coverage Oct 10, 2005 - Jul 20, 2006. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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Coverage Universe: **Himanshu Patel, CFA:** American Axle (AXL), ArvinMeritor, Inc. (ARM), AutoNation, Inc. (AN), Autoliv (ALV), Borg Warner Inc. (BWA), Cooper Tire & Rubber (CTB), Dana Corporation (DAN), Ford Motor Company (F), General Motors (GM), Gentex Corporation (GNTX), Genuine Parts Company (GPC), Goodyear Tire & Rubber (GT), Group 1 Automotive, Inc (GPI), Hertz Global Holdings, Inc. (HTZ), Johnson Controls, Inc. (JCI), Lear Corporation (LEA), Magna International, Inc. (MGA), Penske Automotive Group, Inc. (PAG), TRW Automotive (TRW), Tenneco Automotive (TEN)

J.P. Morgan Equity Research Ratings Distribution, as of March 31, 2009

	Overweight (buy)	Neutral (hold)	Underweight (sell)
JPM Global Equity Research Coverage	35%	46%	19%
IB clients*	54%	54%	42%
JPMSI Equity Research Coverage	35%	51%	14%
IB clients*	75%	73%	57%

*Percentage of investment banking clients in each rating category.
For purposes only of NASD/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

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