LIVESTREAM HOUR

TIER SUPPLIERS ON THE ROAD TO RECOVERY

IN PARTNERSHIP WITH CNW COURIER NETWORK

AUTOMOTIVE FROM ULTIMAMEDIA

Automotive LOGISTICS

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Special guests

Matt Pohlman
Head of Global Logistics
Integrated Supply Chain
Wabco

Jeffery Estes
General Manager
Parts Supply
Toyota North America

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Supply Chain Director
North America
Benteler Group

Host:
Christopher Ludwig,
Editor-in-Chief
Ultima Media

Running order

- **Global update**
- **Tier supplier challenges**
  – Christopher Ludwig, Ultima Media
- **Interactive Q&A with Toyota, Wabco and Benteler**
- **Further reading**
- **Conclusion**

Supply chain restarts (and stops)

China increasing the model for restart

- April sales turn positive for more OEMs: SAIC (including GM and VW JVs), Nissan, Volvo…will uptick sustain?
- Growing digital sales channels
- China PMI index has turned positive, though may be pulling back
- China still subject to global supply shortages, but supply chain proving robust so far
- China key model for adapting PPE, shields, social distance requirements in plants
- Shipping in and out of China still highly disrupted – blank sailings, limited air freight capacity
- Alternative shipping routes – China-Europe rail increase
- Risk of escalating US-China trade war

Supply chain restarts (and stops)

EMEA – production returning…
will demand follow?

- More plants open this week: **Porsche, Mercedes-Benz** Germany; **Ford**, **Dacia** Romania; **Nissan** Spain, **Ferrari, Maserati** Italy; **Aston Martin** UK; **PSA** Morocco, Portugal
- Follows April openings at various plants at VW Group, Daimler Toyota, Volvo, Renault, Hyundai-Kia
- Next two weeks: **BMW, Bentley, Ford, PSA Group, Renault-Nissan, FCA, JLR**. **Nissan** UK June 4th
- Output in North Africa, South Africa to gradually resume
- Sales down 97% in UK, Italy, Spain, 72% France, 61% Germany. Some dealers reopening, but activity very low
- Sales incentives not likely till later in the year
- Supply chain disrupted but robust – the demand shock so enormous that plants might struggle to stay open and more launches/programme delayed (BMW Hungary)

Supply chain restarts (and stops)

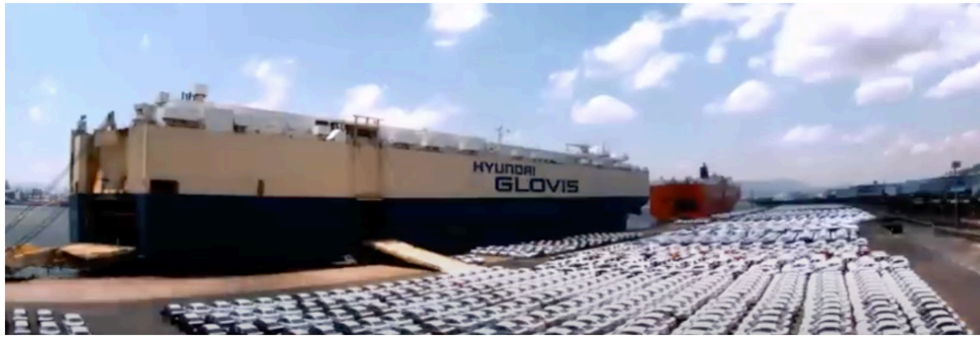
North America – will supply disruption hinder recovery hopes?

- This week: **BMW, Mercedes-Benz** South Carolina, Kia **Georgia,** Hyundai **Alabama** (after Mercedes last week)
- May 11th: **Toyota**, **Honda, Subaru**, **Volvo Cars**
- May 18th: **FCA, GM** most plants; **Nissan** (‘mid-May’)
- No date yet for **Ford, VW** – supply chains too interlinked across region to reopen in isolation
- Uncertainty over Michigan closure to end of May
- Mexico risk: May 18th reopen, but some states and border could stay shut until at least end of May
- Canada Unions have not yet approved return
- US April sales down around 50% at most OEMs, 75% in Canada – some signs of pent-up demand
- …however disruption in North American supply chain could hold back ability to meet nascent recovery

Supply chain restarts (and stops)

Global snapshots – Major Asian slowdown

- **South Korea** production corrections from export drop: GM Korea, Hyundai plants idled; Kia output reduced
- **Japan** state of emergency – **Toyota**, **Honda**, **Nissan**, **Subaru**, **Suzuki** suspend most production to Mid-May
- **India** extends lockdown two weeks but **Maruti Suzuki** and **Hyundai** to reopen this week
- Asia PMI for Japan, Korea, Taiwan, Vietnam, Malaysia at record lows
- Component sourcing disruptions, i.e. wire harnesses out of Philippines that supply South Korea
- **Brazil, Russia** plants facing extended closures as covid-19 outbreak worsens



Tier suppliers facing supply disruption

- Mismatch in EDI calloffs/production schedules and OEM reality
- Regional restrictions severely disrupt supply & production, i.e. shutdowns in Michigan, Mexico, India; backlogs out of Europe, China
- Many suppliers carrying excess inventory burden – but could run out quickly as plants reopen with key regions still disrupted
- Severely delayed and unreliable ocean shipping, constrained air freight, complex border crossings
- Difficulties sourcing/importing PPE, scanning and safety equipment
- Potential labour shortages/absenteeism in restart

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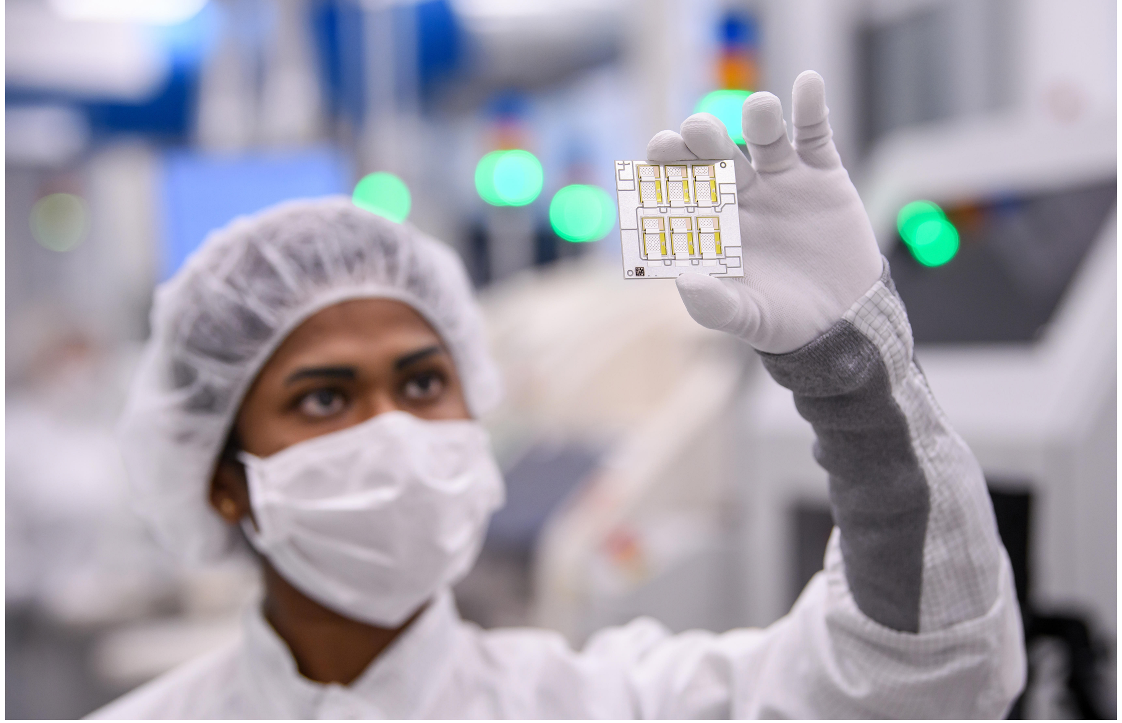

Supplier liquidity a major risk

- Suppliers were already under margin pressure (i.e. EV investment)
- Liquidity hit from lack of payment, launch delays/cancellations
- Some insolvencies emerging, i.e. rubber & systems supplier Veritas
- Failures at single-sourced suppliers could force support/acquisitions by larger tier 1s
- Medium-term potential for significant M&A in supply base
- Low capacity utilisation, lower parts availability and consolidation could drive up component prices

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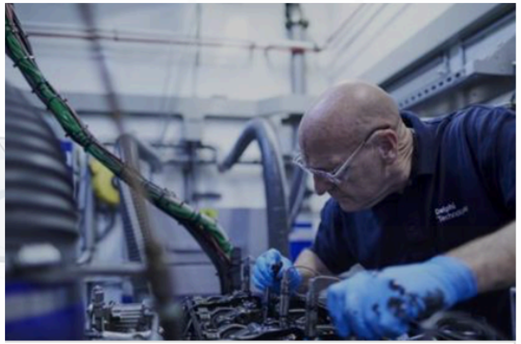

Coronavirus pandemic could force consolidation amongst automotive suppliers

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