



Impact

Automotive Outlook - Path to Recovery

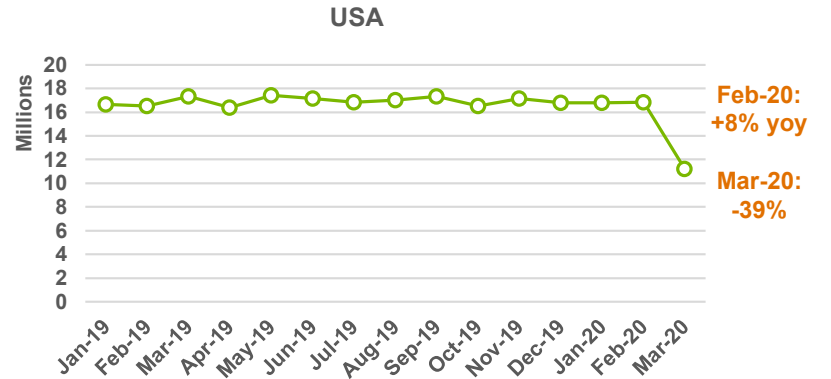
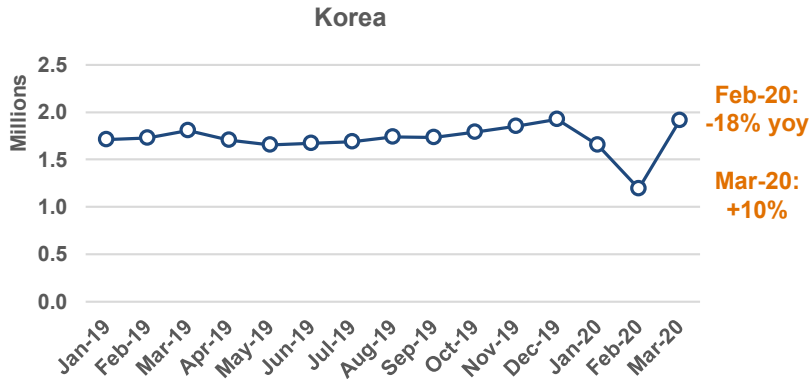
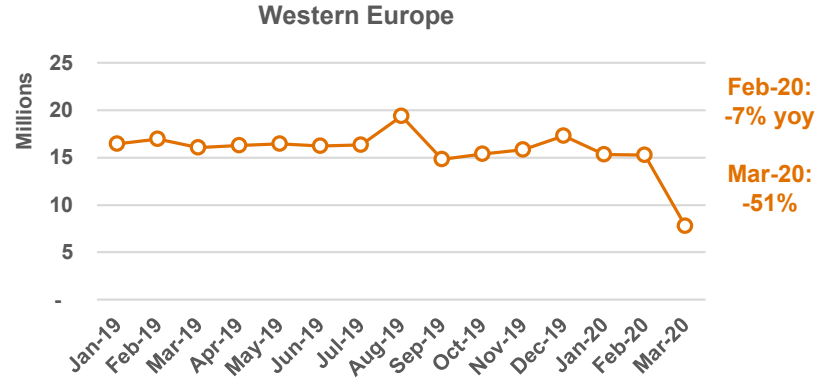
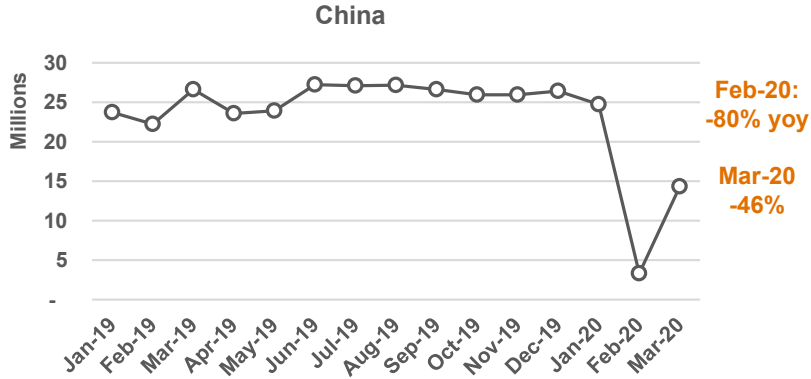
Jeff Schuster, LMC Automotive
30 April 2020



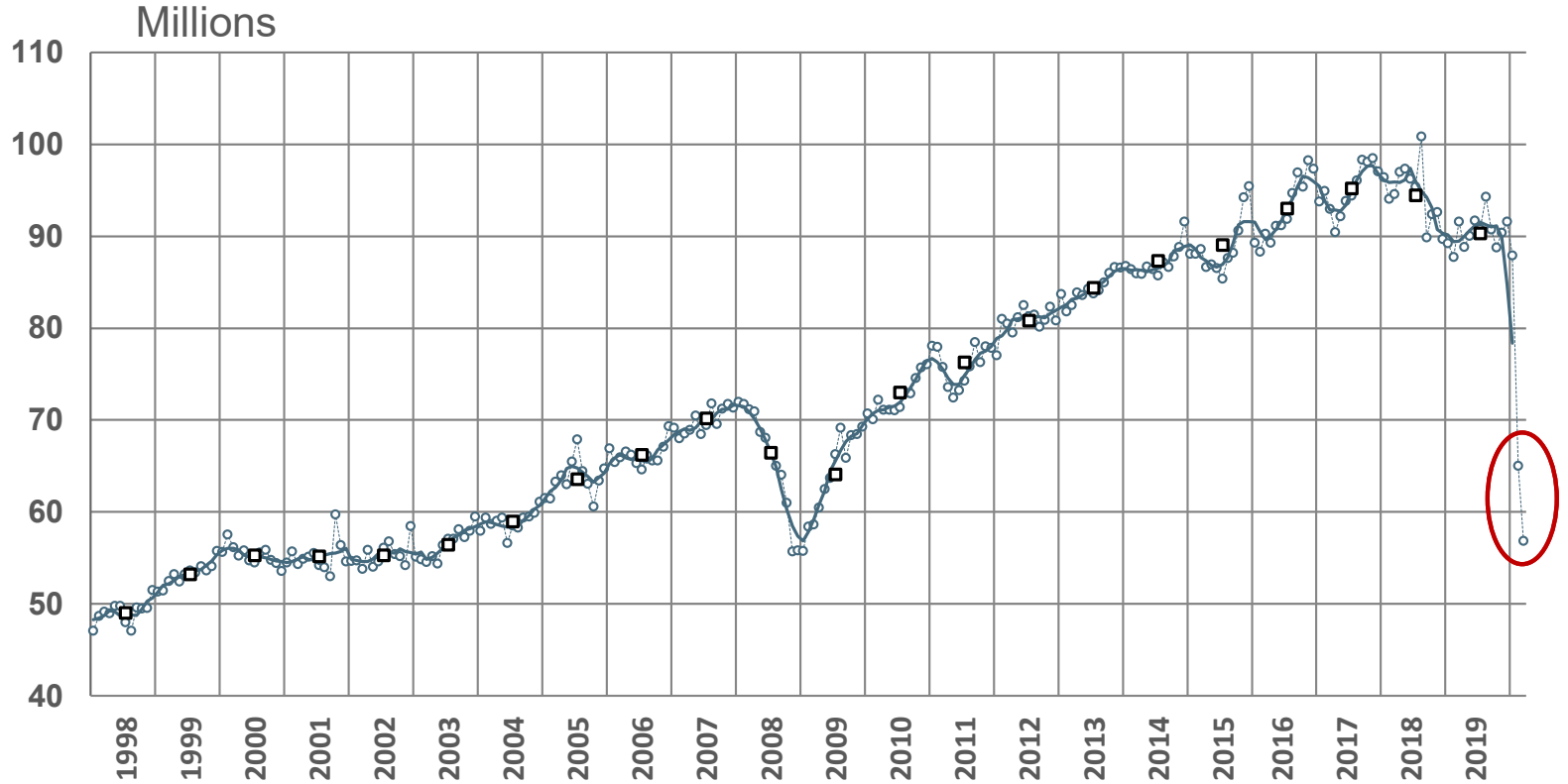
Outline

- **Recent sales results, implications and scenarios**
- Production impact

Latest Light Vehicle market data (selling rates) ...



Global Light Vehicle sales – off a cliff



Outlook scenarios for 20-21: V, U or L

V

- Q1/Q2 lockdown is the longest and most extreme. Social distancing and other measures remain during relaxation, but do not present large economic costs.
 - OEMs develop novel sales approaches combining online activity with respect for new norms in social contact, and sales and production rebound.
 - Global selling rate dips further in April but begins steady recovery, averaging >80 mn units/year in Q3.
-

U

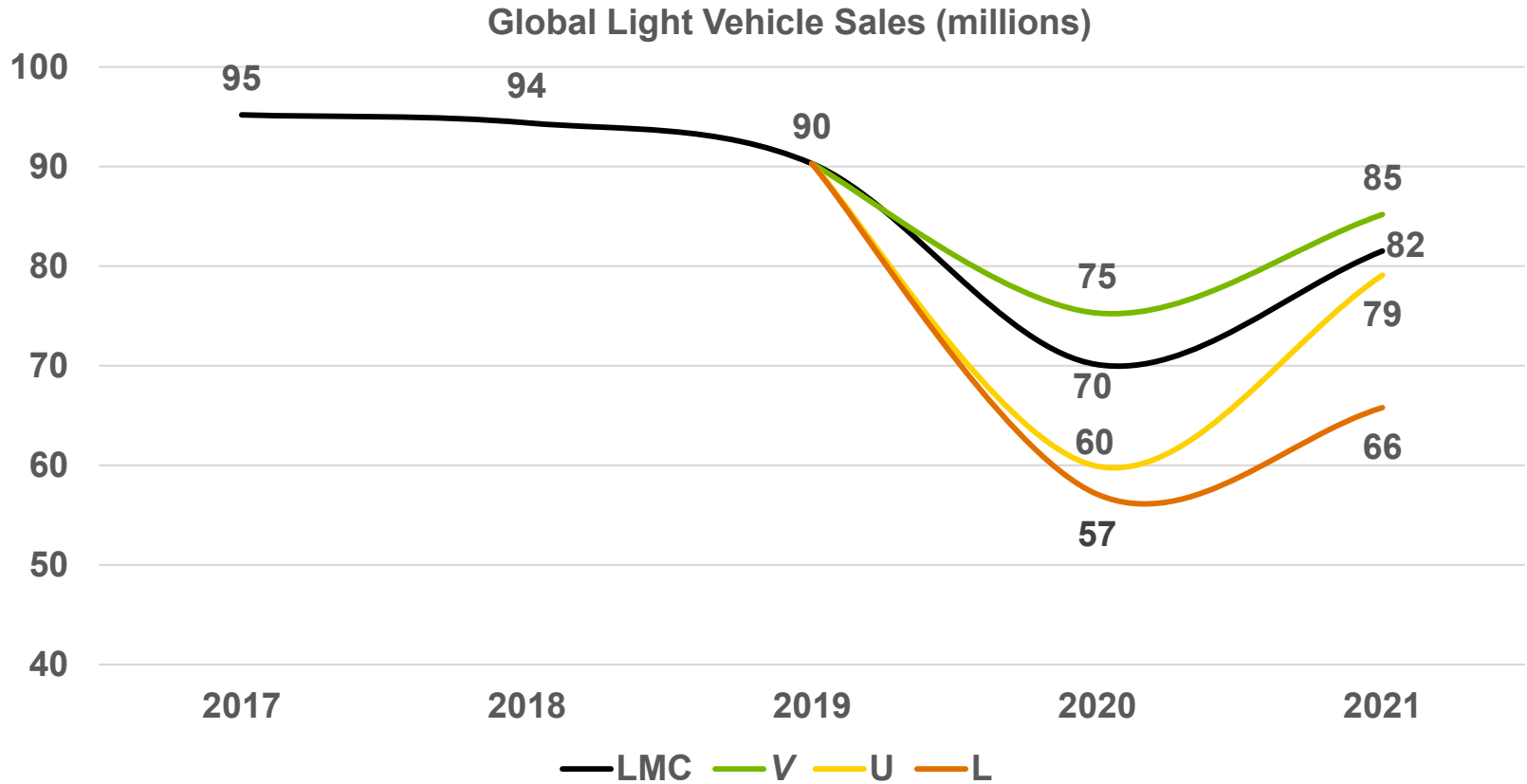
- Q1/Q2 is still the most extreme lockdown, but subsequent social controls continue to take a toll on vehicle sales and economic activity.
 - Economic scarring and heavy blows to confidence undermine recovery in underlying demand conditions.
 - Global selling rate averages <60 mn units/year for H2. 2021 starts to see larger improvement, from very low 2020 base.
-

L

- Q1/Q2 is still the most extreme lockdown, but subsequent social controls continue to take a toll on vehicle sales and economic activity.
- Economic slowdown is severe and lasting. The macroeconomic recovery that comes in H2 is far too weak to undo damage. There is a permanent and significant loss of output.
- Global selling rate slightly below U in 2020, but recovery in 2021 is weak, with sales rising only by single-digit millions.



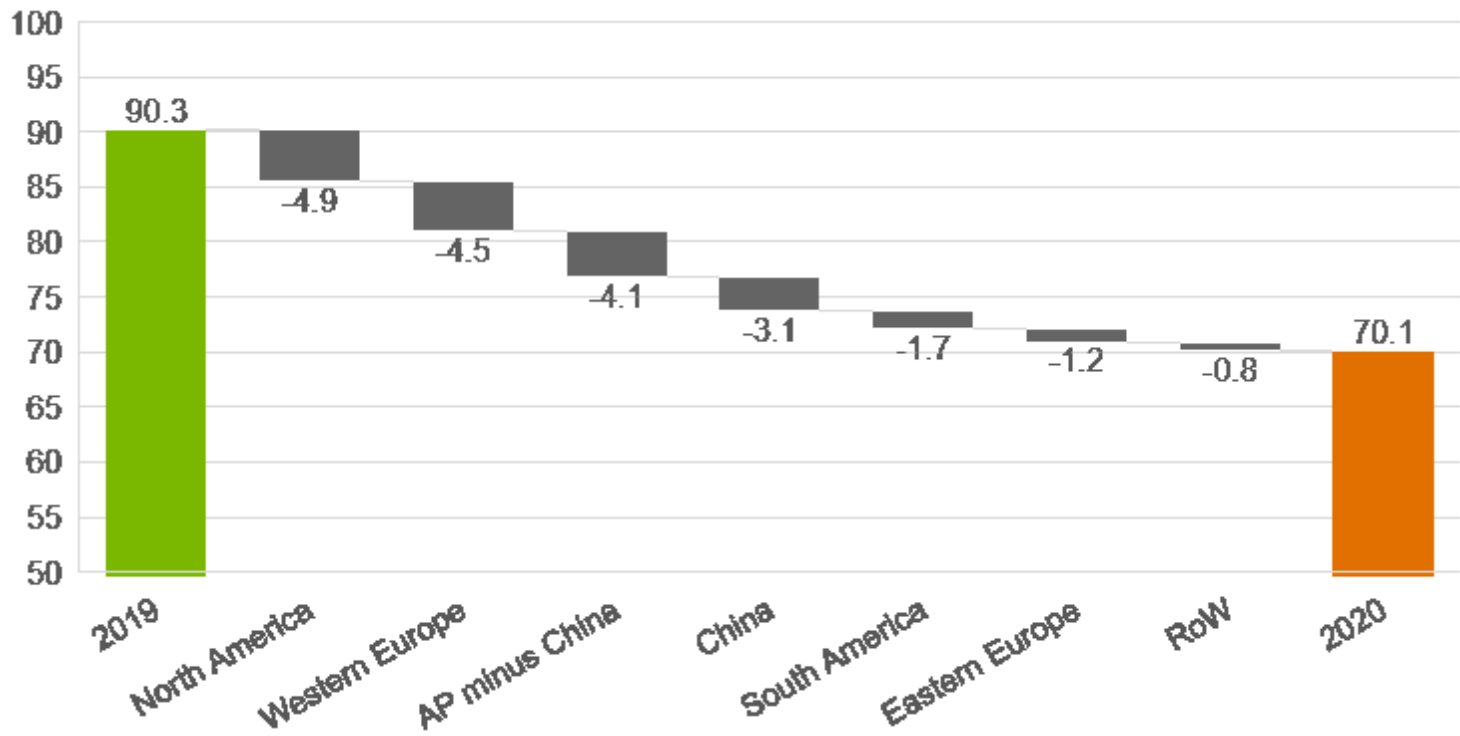
Outlook scenarios for 20-21: V, U or L



Composition of decline from 2019 to 2020



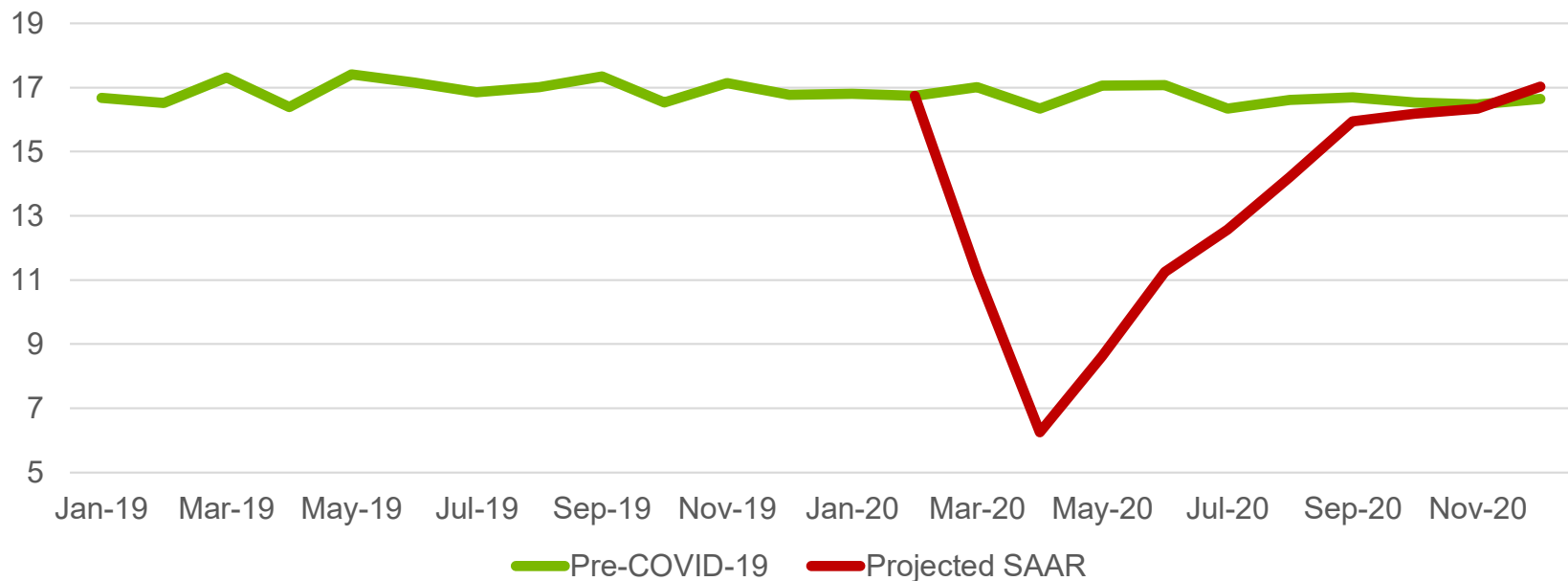
Global Light Vehicle Sales (millions)



US sales pattern as of end of March 2020



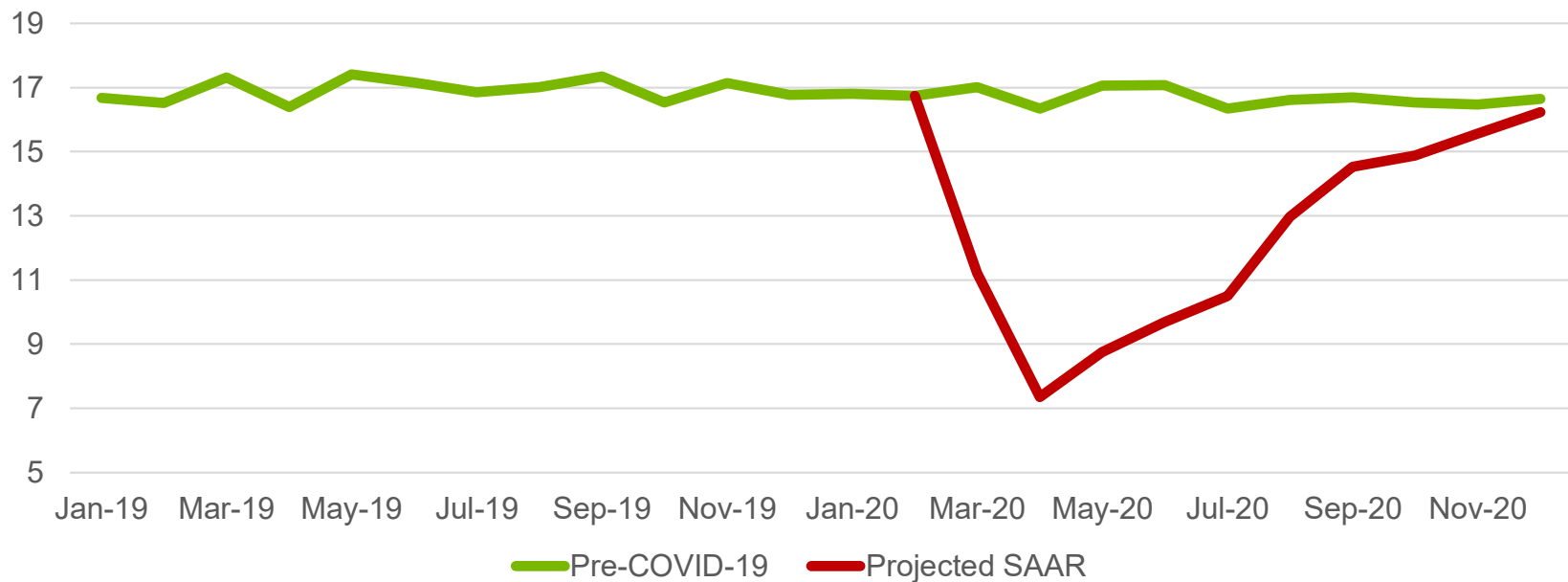
US Light Vehicle SAAR



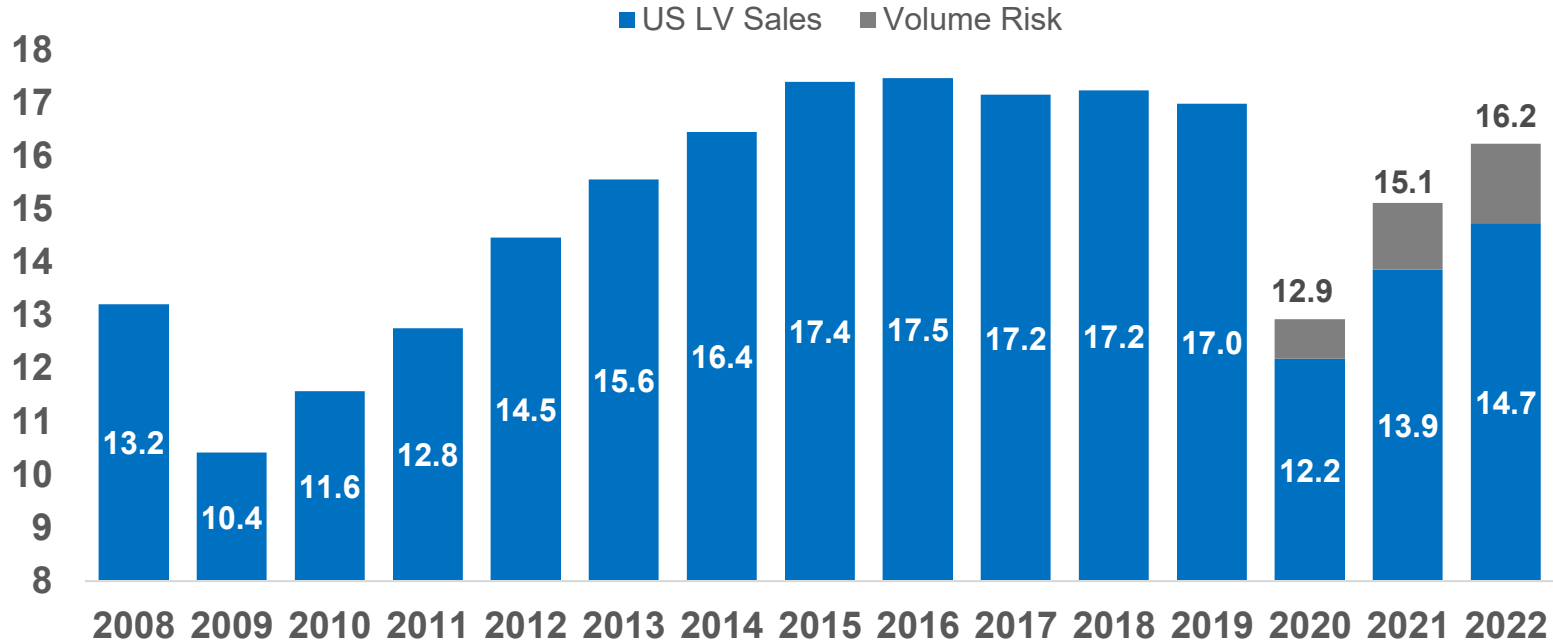
Current US sales pattern



US Light Vehicle SAAR



US Sales show significant risk ahead

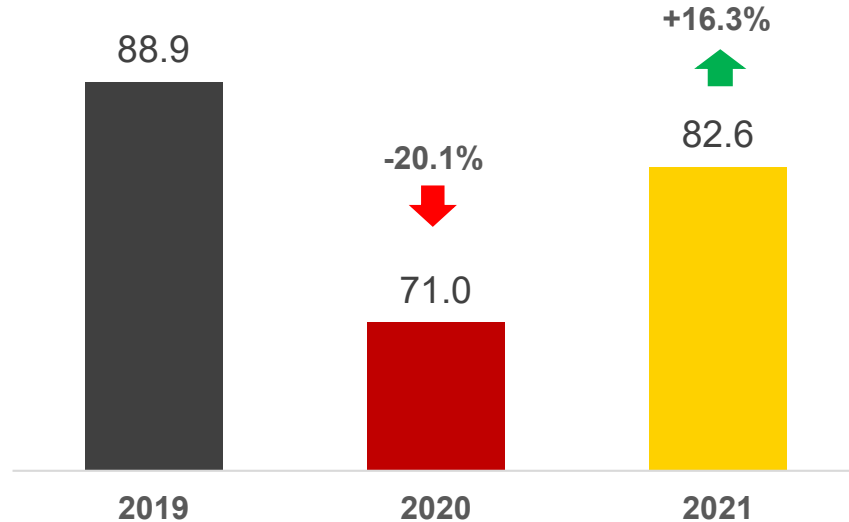




Outline

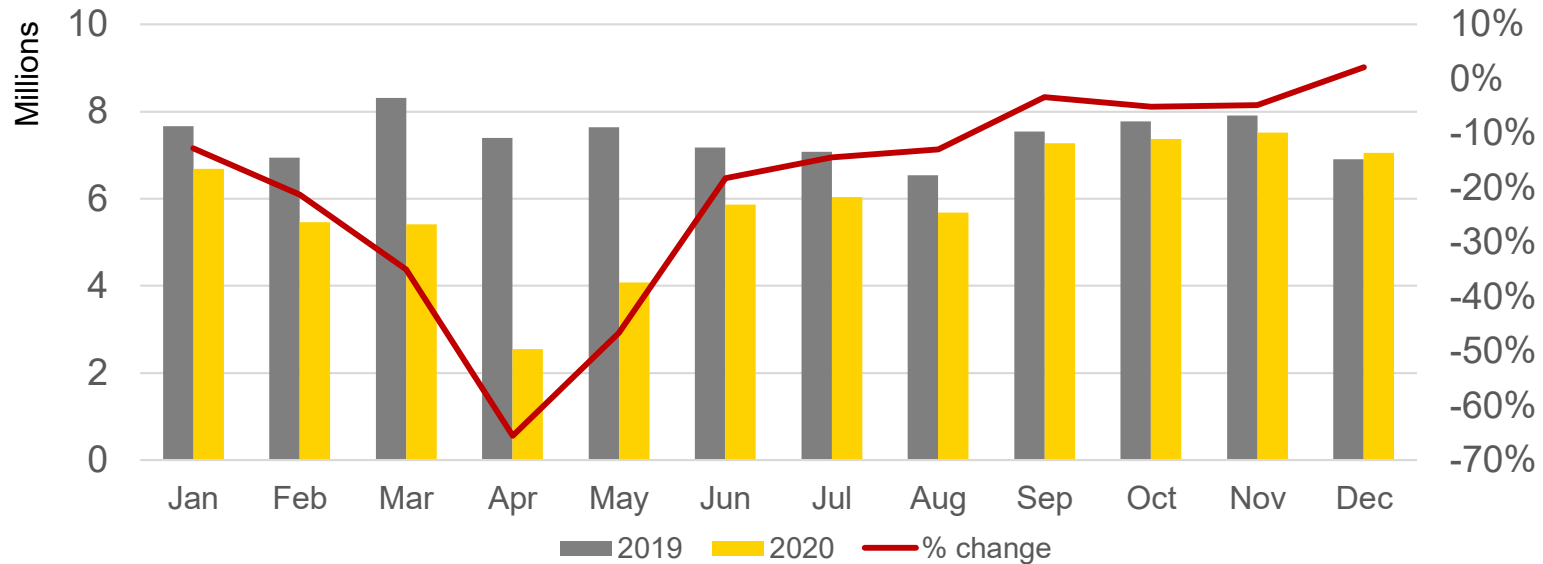
- Questions
- Recent sales results, implications and scenarios
- **Production impact**

Latest global production baseline estimate



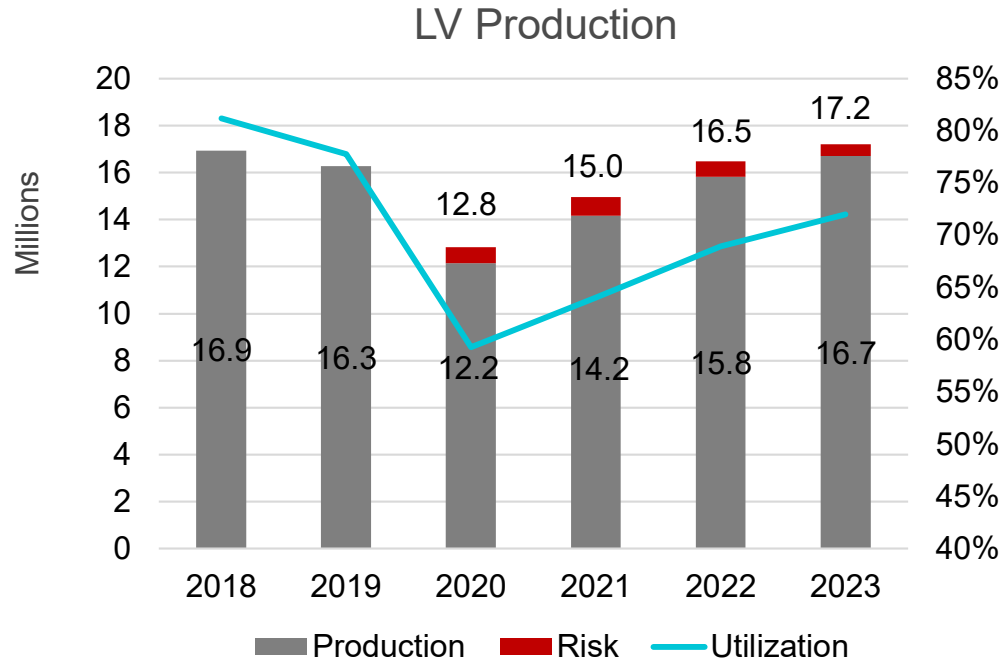
- Production expected down 20% and dependent on complex assembly restart.
- Risks expected to follow levels and patterns of demand.
- Pre-COVID-19 levels not expected until 2023 or 2024.

2020 global light vehicle production trend by month



- April expected to be off 65% and the low point of the year.
- Projected pattern shows levels not turning positive until December – typically low levels in 3Q could be stronger if restart plan holds.

North American production recovery path



- Base case volume down 21%, with utilization below 60% in 2020 returning to 70% by 2023.
- Idle capacity is expected to be nearly 8mn in short-term, illustrating pressure on cost structure and higher cash burn across the industry.
- With the restart beginning to take shape, risk remains high, but inventory is low.



Reminder of supply chain complexity



Tier 3 / Raw
Materials

Tier 2
component
suppliers

OEM parts
plants

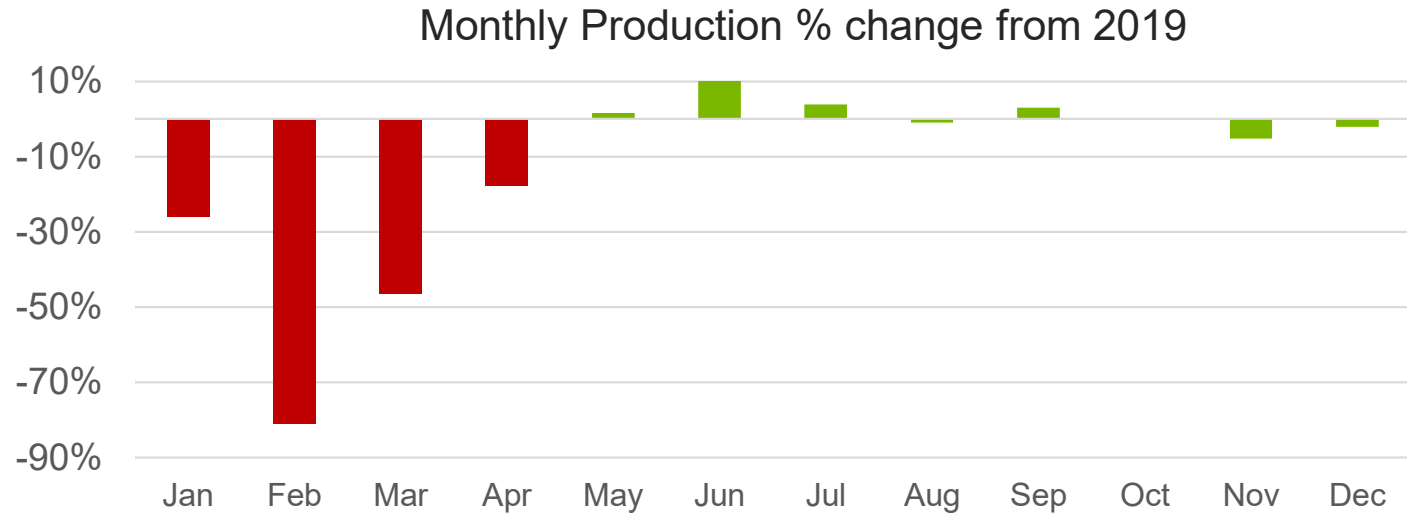
OEM

Logistics to
sales channel

Tier 1 and
module sub-
assembly



Is China a model for restart in NA and Europe?

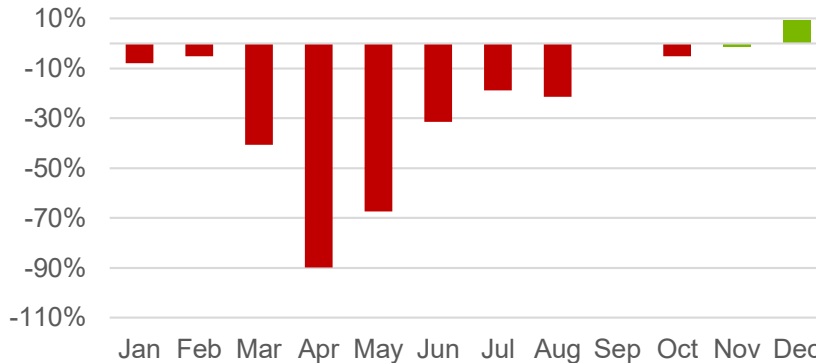


- China went through destocking in 2019 and was expected to see increased levels in 2020 – similar to North America and Europe.
- All assembly plants in China have restarted after being down for an average of 16 days (varied between 7-41 days) – slow ramp-up with some plants running single shifts.

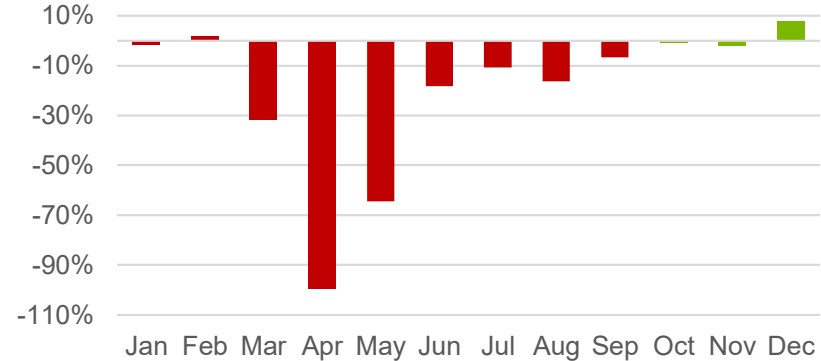
A view of Europe and NA plant restart



Europe Monthly Production % change from 2019

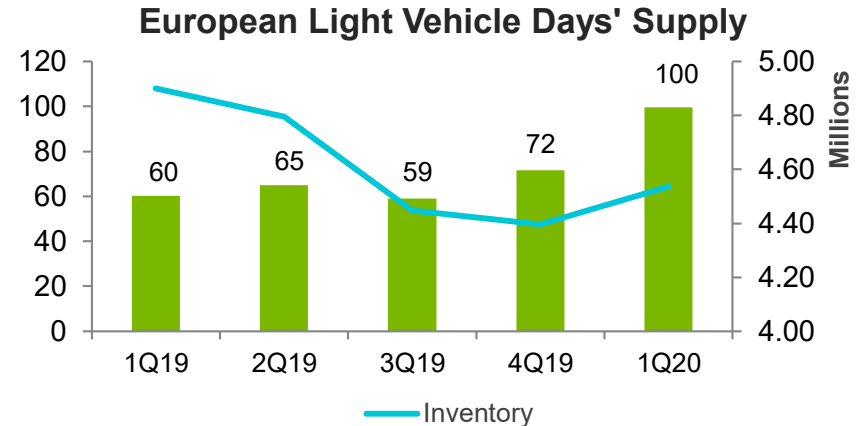
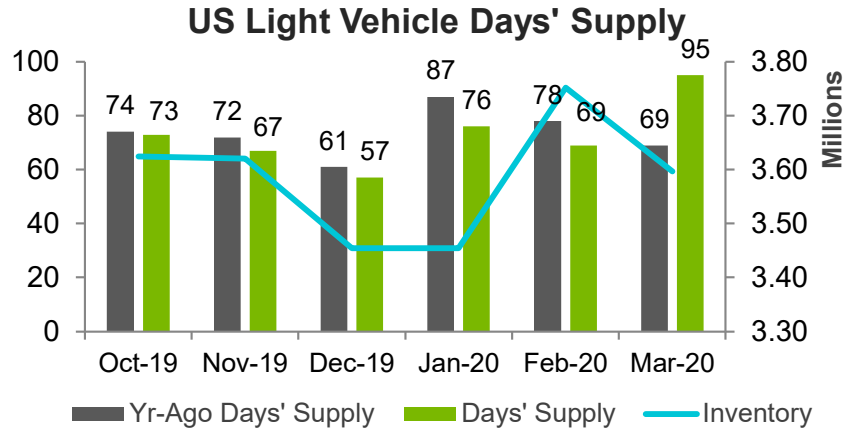


N. America Monthly Production % change from 2019



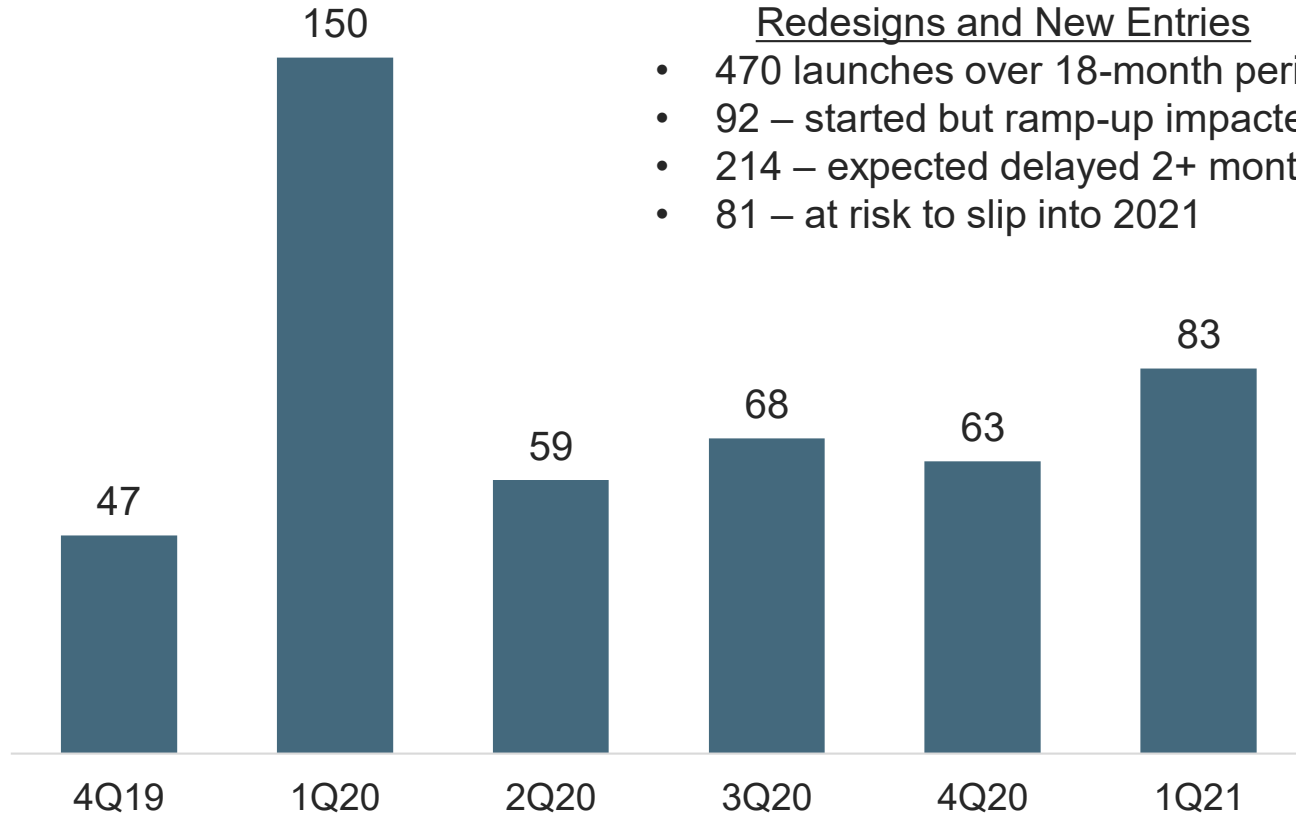
- Europe – Some distortion to year-on-year comparison but follows similar pattern with restart slated for May.
- North America – Mercedes was first! May restart for most others (some in early May and D3 moved to Mid-May). Expect slow ramp up with single shift operations at first.
- Asia – India down until May; S. Korea and Japan slow due to exports

Inventory metrics



- The pullback in demand has caused a similar spike in days' supply in March, even as inventory levels fall.
- A significant cut in production, as plant are shutdown, will pull down days supply levels back to the 60-70-day level by next month.

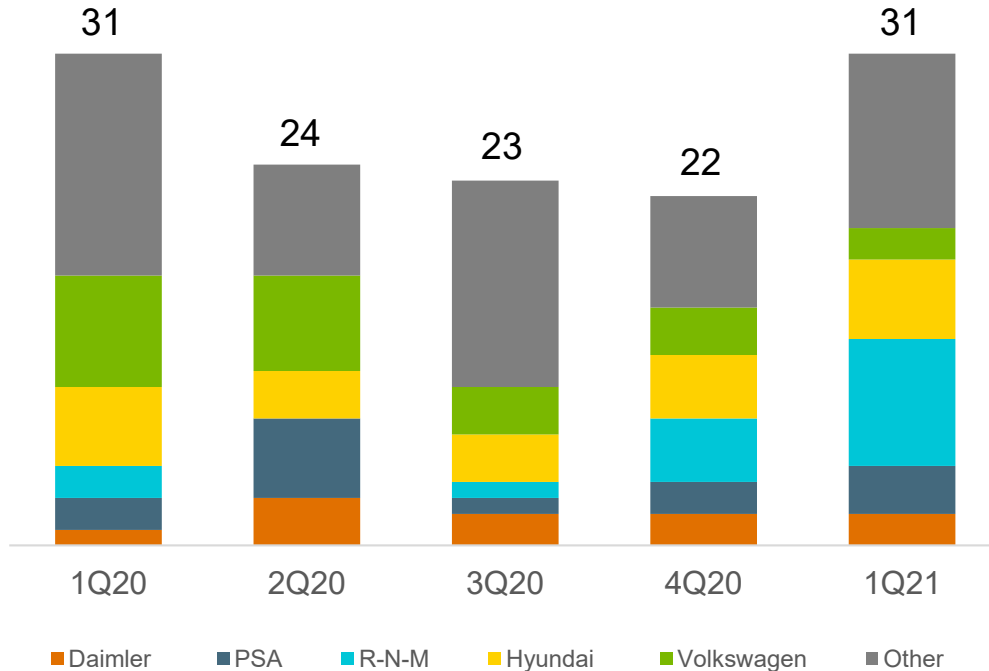
Global launch activity by quarter



Redesigns and New Entries

- 470 launches over 18-month period
- 92 – started but ramp-up impacted
- 214 – expected delayed 2+ months
- 81 – at risk to slip into 2021

Pan-Europe launch activity by group



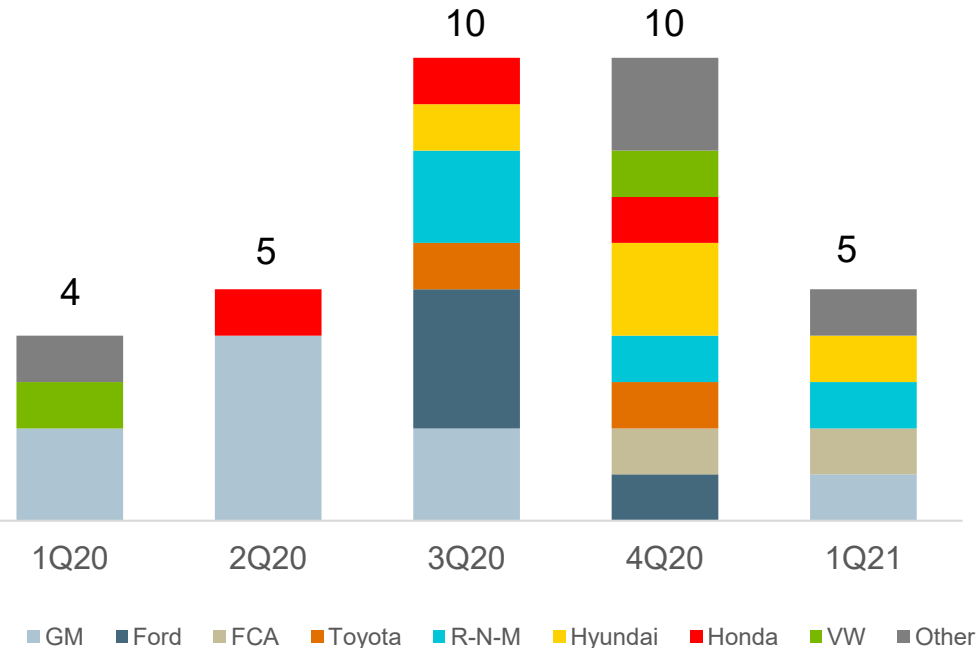
Key Launches and Delays

- 8 all-new BEV models – 5 from VW Group (inc. ID.3, ID.4)
- Key Volume Models including: Golf, Qashqai, Mokka, A3, Kuga

Delays

- Disrupted newly localised models: Jeep Compass, Hyundai Kona.
- Audi A3 to May (2-months)
- Nissan Qashqai to Dec (2-months)

North America launch activity by group



Key Launches and Delays

- BEV activity – Several start-ups including Rivian, Karma, Lucid and Bollinger at risk
- Key programs include: F150, GM Large SUVs, Nissan Rogue, Tesla Model Y

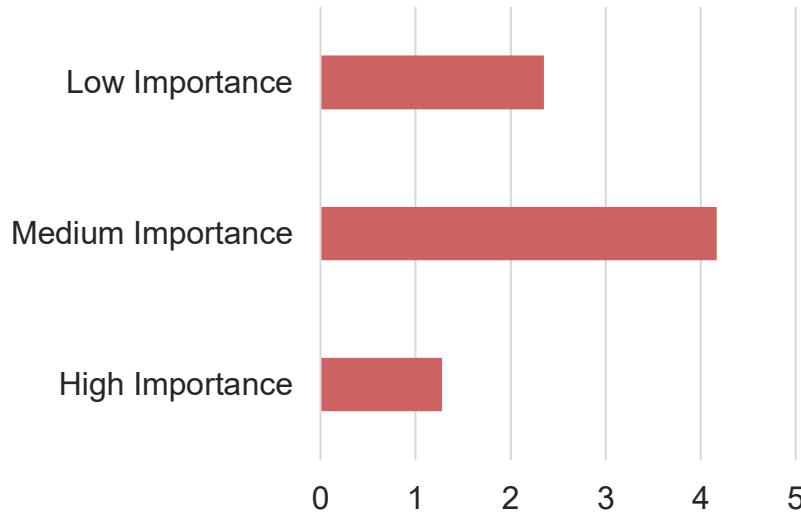
Delays:

- Mustang Mach-E to Sep-20
- GM Large SUVs – one month
- G Cherokee/G Wagoneer – 3-month delay
- Frontier delayed from May-20 to Apr-21

North America launch delay analysis



2020 SOP delay in months



- Average delay in region is 2.35 months with longer delays in late 2Q and 3Q SOPs.
- OEMs are prioritizing new programs based on importance
- Facelift activity is even lower priority and further down the priority list will be facelift activity that has not been started
- Additional delays dependent on restart plan and cashflow but several future programs planned could be impacted as investment is constrained.



Final Thought



For experts 
by experts

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Thank you