

Market Update – Sector Resilience

30 September 2020

A double-dip would hit suppliers hard, innovation potential will become of increasing funding importance

Liquidity concerns existential for up to 30% of European suppliers

25-30%

“Of 35 European suppliers with sales of less than five billion euros, 23 have either reached a critical level in terms of debt or a worryingly low equity ratio. In particular, the signals from classic control metrics such as the level of debt, debt servicing capacity and the debt equity ratio are dark red for many industry representatives and orange for only a few. 25 – 30% of suppliers is facing an acute existential challenge.” – FCF, 20 August

120

“Suppliers active in propulsion, shock absorption and transmission are most at risk. In the worst case we could see up to 120 bankruptcies, 40 more than in 2008/9.” – Boston Consulting Group (Inverto), 20 August 2020

1/5

Handelsblatt reported based on a VDA survey that 1/5 of Germany's suppliers' liquidity is secured for maximum 2 months, 2/3 is at a capacity utilisation rate of 50-75% and 60% is planning additional job cuts.

Market acknowledges strong crisis response, but ICE dependent suppliers will face more scrutiny

Moody's downgraded since March the ratings of 24 of the top 62 rated automotive suppliers, about \$137 billion of the approximately \$212 billion in rated debt.

“Nearly all rated parts suppliers-initiated efforts to cut costs, while most also reduced capital spending. These actions created much higher levels of operating flexibility to contend with automakers' temporary plant closings and the gradual reopening of their facilities.” – Moody's, August 2020

“Free cash flow for aftermarket parts suppliers should be reasonably robust by year-end 2020. As economically stressed consumers put off car purchases to focus on their existing vehicles, large tire manufacturers are positioned to benefit.” – Moody's, August 2020

“We critically assess which suppliers have future proof technologies and which suppliers are restricted to the conventional business of internal combustion engines. So far bankruptcies are limited and suppliers can survive on their reserves, but latest in 2021 the moment of truth will arrive.” – Peter Schneider, President of the BW Sparkasse, responsible for 50% of business financing in the state of Baden Wuerttemberg