Impact

Automotive Impact Webinar
Update

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Questions from last time

- “In the U.S., how has fleet demand been impacted by the pandemic?”
- “In North America (or USA?), Pick-up trucks were seen with the least sales decline. Any explanation for this? Is COVID encouraging more pick-ups, or was this already a general trend?”
- “Do your views vary based on market segmentation, i.e. Premium vs mainstream?”
- “How much of EV performance in Europe was linked to registrations being retained from 2019 to 2020?”
- “If the presenter thinks that the OEMs will protect themselves by streamlining platforms and models what does he think is going to happen to the supplier sector?”
- “Might there be a W-shaped scenario?”
Outlook scenarios for 20-21: V, U or L

Global Light Vehicle Sales (millions)

V: Q1/Q2 lockdown is the longest and most extreme. Social distancing etc. remain during relaxation, but do not present large economic costs. Incentives support for industry.

U: Economic scarring and heavy blows to confidence undermine recovery in underlying demand conditions.

L: 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.

Source: LMC Automotive
Consumer confidence

- Sharp decline in consumer confidence, as expected, in April. But not, however, as extreme as for many other measures.
- Stabilizing in May, where US levels have been surprisingly resilient. Note unemployment and jobs claims data.
- European employment support schemes have helped.
- But significant job losses are inevitable, leading to weak consumer demand and slow recovery.
- Note: confidence picture is reflected in a number of other countries (e.g. Japan, Korea, Canada); but not UK, China, India.

Chart sources: US Conference Board, Eurostat
Latest Light Vehicle market data (selling rates) …
Global Light Vehicle sales – April was the low point

Source: LMC Automotive
What role for incentives in this crisis?

- **Incentives 2009**: high impact, when sustained as in Europe; payback inevitable, but did create new demand; focused on industry volume boost.

- **Incentives 2020**
  - Geographically patchy: US unclear this time, UK also unclear, many European countries not enthusiastic, but likely more to come.
  - E-focus: France and German schemes heavily skewed towards full BEV, then to PHEV; Italy may be more neutral; China has halted planned withdrawal of NEV support, ...
  - Volume impact: likely to be much more muted than in/around 2009; xEV supportive (could lead to supply constraint issues there).

Source: LMC Automotive
Vehicle demand – baseline market projections

Light Vehicle sales (millions)

2019

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP minus China</td>
<td>25.5</td>
</tr>
<tr>
<td>China</td>
<td>15.7</td>
</tr>
<tr>
<td>North America</td>
<td>20.2</td>
</tr>
<tr>
<td>Europe</td>
<td>20.7</td>
</tr>
<tr>
<td>South America</td>
<td>11.4</td>
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<tr>
<td>ROW</td>
<td>2.3</td>
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2020

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2021

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China Share of World Light Vehicle Sales 2019

- SAIC: 95.1%
- Geely Group: 73.4%
- VW Group: 39.7%
- Honda: 30.6%
- BMW Group: 29.2%
- GM Group: 26.5%
- Daimler: 25.8%
- R-N-M: 16.3%
- Toyota Group: 16.2%
- Hyundai/Kia: 14.2%
- Ford Group: 7.2%
- PSA Group: 3.2%
- FCA: 2.4%
- Suzuki Group: 0.9%

Source: LMC Automotive
Driving being strongly favoured at the moment …

Source: Apple Mobility Trends
Global Production Update
Latest global production baseline estimate

Light Vehicle production (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020 Pre</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>94.2</td>
<td>88.8</td>
<td>90.4</td>
<td>-20.2%</td>
<td>82.3</td>
</tr>
</tbody>
</table>

- Production expected down by 20% and dependent on complex assembly restart.
- Risks remain high, including consumer demand, supply chain and plant outbreaks.
- COVID-19 may force decisions on some locations already suffering from low utilization.

Source: LMC Automotive
Global production decline by major market

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>88.8</td>
<td>-24%</td>
</tr>
<tr>
<td>Asia-China</td>
<td></td>
<td>-23%</td>
</tr>
<tr>
<td>North America</td>
<td></td>
<td>-21%</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td>-11%</td>
</tr>
<tr>
<td>South America</td>
<td></td>
<td>-40%</td>
</tr>
<tr>
<td>ROW</td>
<td>70.8</td>
<td>-25%</td>
</tr>
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</table>

Source: LMC Automotive
Utilisation is at lowest level ever in 2020!
Average plant shutdown in weeks

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Shutdown in Weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2</td>
</tr>
<tr>
<td>AP ex-China</td>
<td>4</td>
</tr>
<tr>
<td>Europe</td>
<td>6</td>
</tr>
<tr>
<td>N America</td>
<td>7</td>
</tr>
<tr>
<td>S America</td>
<td>12</td>
</tr>
</tbody>
</table>
China production snapshot

- Base case volume down 11%, with utilisation at just 41% in 2020 returning to nearly 50% by 2023.
- Direct Inventory impact is minimal and dealer stocks starting rebuilding.
- Most launches not impacted due to duration of shutdown and it was off season for launch activity.

Source: LMC Automotive
Asia-China production snapshot

- Base case volume down 23%, with utilisation at 54% in 2020 and remaining below 70% though 2023.
- Inventory higher – S. Korea at 1.6 months vs 1.2 & 30 days up from 15-20 days in India.
- No major product delays expected.
- Risks – Some parts disruption expected but weak global economy is largest risk. COVID-19 peak in India not expected until July or later.

Source: LMC Automotive
Europe production snapshot

- Base case volume down 24%, with utilisation at 52% in 2020, climbing back to 70% by 2023.
- Days supply expected to move from a high of 120 days in Q2 down to 60 days in Q3.
- SOP of Nissan Qashqai and Toyota Yaris delayed couple of months. Golf and ID3 ramp-up disrupted.
- Risks – Demand showing small improvement but too soon to know. Plants in Italy at high risk of further shuttering.

Source: LMC Automotive
North American production snapshot

- Base case volume down 21%, with utilisation at just 60% in 2020 returning to 74% by 2023. “Normal” output not expected until early 2022.

- Inventory at 9 year low at 2.6mn units, 1.3mn below last May.

- High profile GM Large SUVs, F-150, Frontier, MDX, Tesla Roadster face significant delay.

- Risks – Supply may not be able to meet demand in short-term and flood of used cars a concern.

Source: LMC Automotive
South American production snapshot

- Base case volume down 40%, with utilisation below 30% in 2020 and only improving to 45% by 2023.
- Recovery to 2019 volumes won’t take place until 2023.
- Influx of new SUVs could be delayed.
- Risks – Extended shutdowns could become permanent closures for at-risk faculties.
- Risks – Investment risk increased due to lower demand and political turmoil.

Source: LMC Automotive

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Final Thoughts
Questions