

ACG[®] Detroit

SAA

Society of Automotive Analysts

AUTOMOTIVE UPDATE





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Upcoming Events

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WHAT IS THE SAA?

The Society of Automotive Analysts is an **organization that provides members with:**

- ▶ Exclusive events across the broad scope of the automotive industry
- ▶ Direct and personal access to industry leaders
- ▶ Networking and interaction with key influencers

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UPCOMING EVENTS

- ▶ Sept. 20 -- Lunch & Learn Webinar Featuring AON – Cybersecurity: Pains, Claims and Automobiles
- ▶ Oct. 3 -- BorgWarner Charging Forward: Transitioning from Combustion to Electric
- ▶ Oct. 11 -- Lunch & Learn Webinar Featuring Nexteer: Software-Defined Vehicles – The Future of Safer and Smarter Mobility
- ▶ Oct. 18 – SAA Coffee Break – Automotive Aluminum: Driving the Future of Mobility Through Market Analysis, Collaboration with Automakers, and Ongoing

Go to www.SAAauto.com for the latest information

Automotive Update: The Transitions Accelerate



Clay Vanderpool



Mike Wall



Steven Wybo



Michael Alcala

Clay Vanderpool: *Senior Vice President - Native American Gaming Division PNC*

Mike Wall: *IHS Executive Director, Automotive Analysis, S&P Global*

Steven Wybo: *Senior Managing Director, Riveron*

Michael Alcala: *Vice Chairman Board of Directors & CEO, GNS North America*

GNS – Green-&-Safe

6 Production Facilities In 3 Different Countries

Be Local, Globally

9-Time Winner Of "GM Supplier Of The Year"

Customer Is The Top Priority

Industry Best & Brightest Employer Awards

People Are Most Important Resource

6th Place

2021 Worldwide Hot Stamping Capacities

Hot Stamping

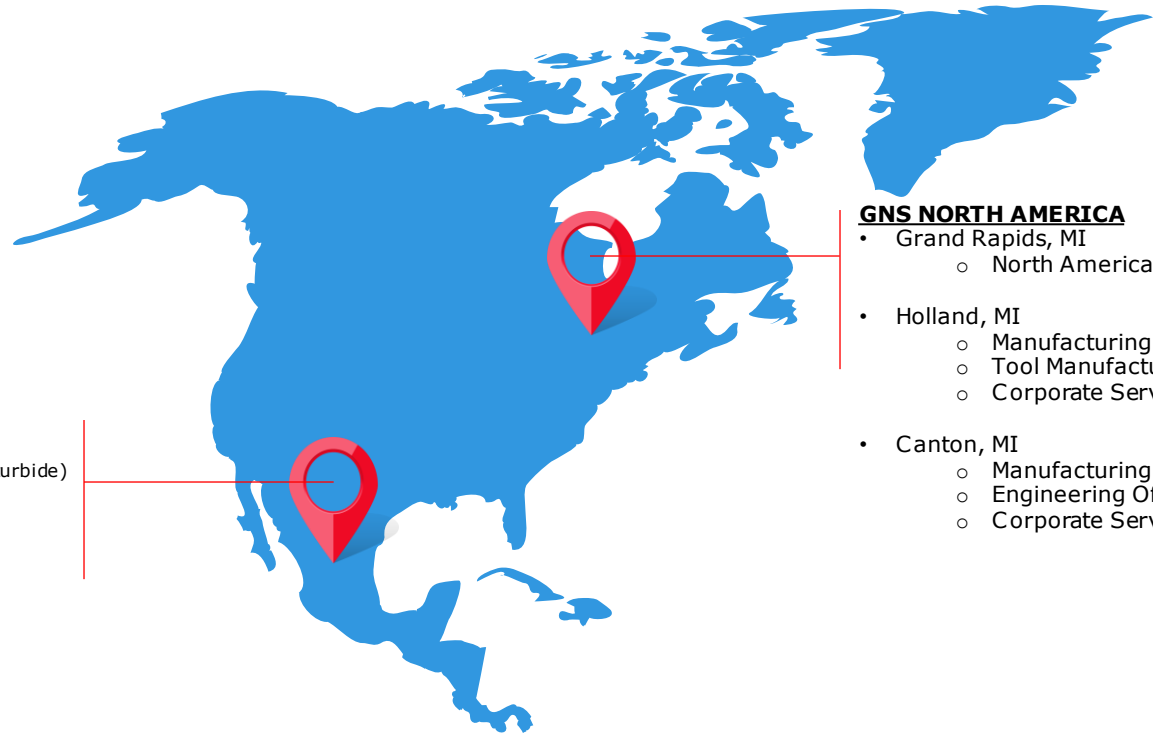


Welding



**In-House Product Development,
Engineering And HS Tooling Capability**





GNS NORTH AMERICA

- GNS AUTOMOTIVE SA DE CV (San Jose Iturbide)
 - Manufacturing Plant

GNS NORTH AMERICA

- Grand Rapids, MI
 - North American HQ
- Holland, MI
 - Manufacturing Plant
 - Tool Manufacturing
 - Corporate Services
- Canton, MI
 - Manufacturing Plant
 - Engineering Offices
 - Corporate Services

Holland Plant
(Michigan)

- Hot Stamping
- Cold Stamping
- Laser Cutting
- Welding & Assembly
- New Tooling Construction



Canton Plant
(Michigan)

- R&D
- Hot Stamping
- Laser Cutting
- Welding & Assembly



Mexico Plant
(San Jose Iturbide)

- Hot Stamping
- Laser Cutting
- Welding & Assembly

OEMS AND UAW ARE FAR FROM AGREEMENT



▶ Goals

- ▶ Cost containment while they transition to BEV
- ▶ Billions committed to investment in facilities (Assembly and Battery JVs)
- ▶ Need to increase profitability with BEVs (all the profits currently in ICE)

▶ Goals

- ▶ Wages
- ▶ Jobs
- ▶ Pensions
- ▶ Joint venture jobs
- ▶ Retiree benefits
- ▶ Reduced work week/more overtime



A high bar has been set by the union and is expected to lead to a strike

UNION NEGOTIATIONS



Demand	Public Statements Made by the Union
Eliminate tiers	It's wrong to make any worker second class. We can't allow it any longer in the UAW. The Teamsters ended tiers at UPS. We're going to end tiers at the Big Three.
Major wage increases	Yes, we're demanding double-digit pay raises. Big Three CEOs saw their pay spike 40 percent on average over the last four years. We know our members are worth the same and more.
Restore COLA	It's COLA that made sure working-class communities thrived for decades. Taking that away hammered us and our hometowns. It must be restored.
Defined benefit pensions	All workers deserve the retirement security that UAW members had for generations.
Restore retiree medical benefits	That's just as essential as a solid pension.
Right to strike over plant closures	The Big Three have closed 65 plants over the last 20 years. That's been as devastating for our hometowns as it has been for us. We have to have the right to defend our communities from the corporate greed that's killing so many cities and towns.
Working family protection program	it's a program that keeps UAW members on the job. If companies try to flee our hometowns, they'll have to pay UAW members to do community service work. Companies can still make a healthy profit and it'll keep our communities healthy, too.
Temp labor	We are going to end the abuse of temps. Our fight at the Big Three is a fight for every worker.
Paid time off to be with families	Our members are working 60, 70 even 80 hours a week just to make ends meet. That's not living, it's barely surviving and it need to stop.

Source: UAW

UAW KEY FACTS

- ▶ UAW workforce is 150k employees under contract
 - ▶ Retirees over 300K
- ▶ Current 4 year contract expires at 11:59 pm on September 14
- ▶ Estimated strike fund is \$825M
 - ▶ Approximately 11 weeks of cash on hand if all employees strike at the same time

150,000	Active workers
<u>500</u>	Typical weekly strike pay
\$ 75,000,000	Total
<u>11</u>	Weeks
\$ 825,000,000	

- ▶ Recent strike history
 - ▶ 2019 – GM-UAW strike lasted 40 days (5.7 weeks)
 - ▶ Estimated earnings impact to GM was (\$3B)
 - ▶ 1998 – GM-UAW strike lasted 54 days (7.7 weeks)
 - ▶ 1970 – GM-UAW strike lasted 67 days (9.6 weeks)
- ▶ It is important to note that the Canadian union (Unifor) contract also expires 4 days later on September 18

SUPPLIERS' FINANCIAL HEALTH WORSE THAN IN 2019

▶ After four years of consecutive extraordinary challenges, a potential work stoppage could be more catastrophic for many automotive suppliers than the GM strike in 2019

TTM Q1 2019 vs. Q1 TTM 2023



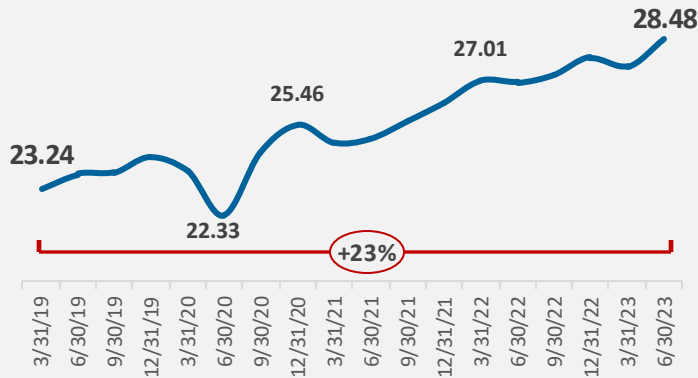
EBITDA %

83% ↓
of suppliers decreased

- ▶ When comparing 2019 to 2023, performance worsened for the vast majority of our sample population, with EBITDA % decreasing for 81% of suppliers. On average, supplier EBITDA % decreased by 19%.
- ▶ While our sample includes representative publicly traded companies, initial data suggests that more pain is being felt further down the supply chain in smaller suppliers more vulnerable to a potential labor strike.

Source: S&P Capital IQ


Average Hourly Earnings (Motor Vehicles & Parts)

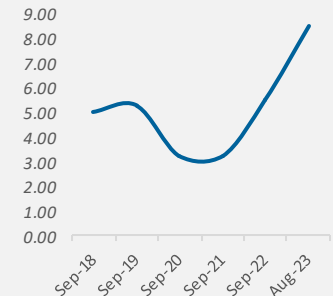


- ▶ Average **hourly wages** have **increased** by **23%** since March 2019

Source: U.S. Bureau of Labor Statistics

U.S. Prime Rate

5.25% September 2019

8.50% August 2023



- ▶ **Tightened credit standards** and **higher interest rates** further erode cash, impacting the ability to operate and fund growth

Source: Federal Reserve Bank of St. Louis

UAW STRIKE – WHERE TO FOCUS PREPARATION EFFORTS

As suppliers brace for the looming UAW strike, proactive planning on multiple fronts will be critical to weather the storm



Liquidity / Cash Management

Cash conservation will be critical in buying time through the anticipated liquidity trough



Inventory & Production

Effective inventory management strategies can better position suppliers for downtime and re-start



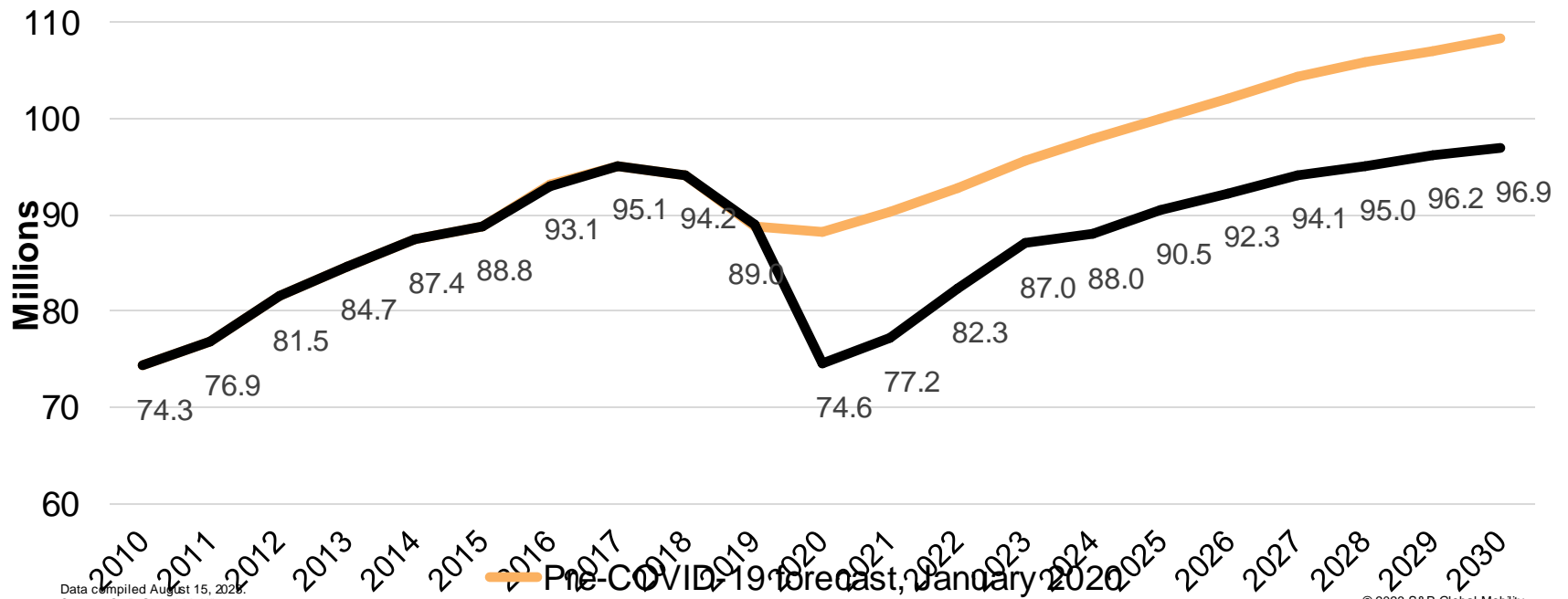
Labor & Alternative Plans

Multi-faceted labor plans will be essential in navigating potential shutdowns and layoffs

Global Light Vehicle Production Overview

With over 37 million units cut from the forecast in the period to end 2022, what could the recovery look like?

Global Light Vehicle Production Forecast

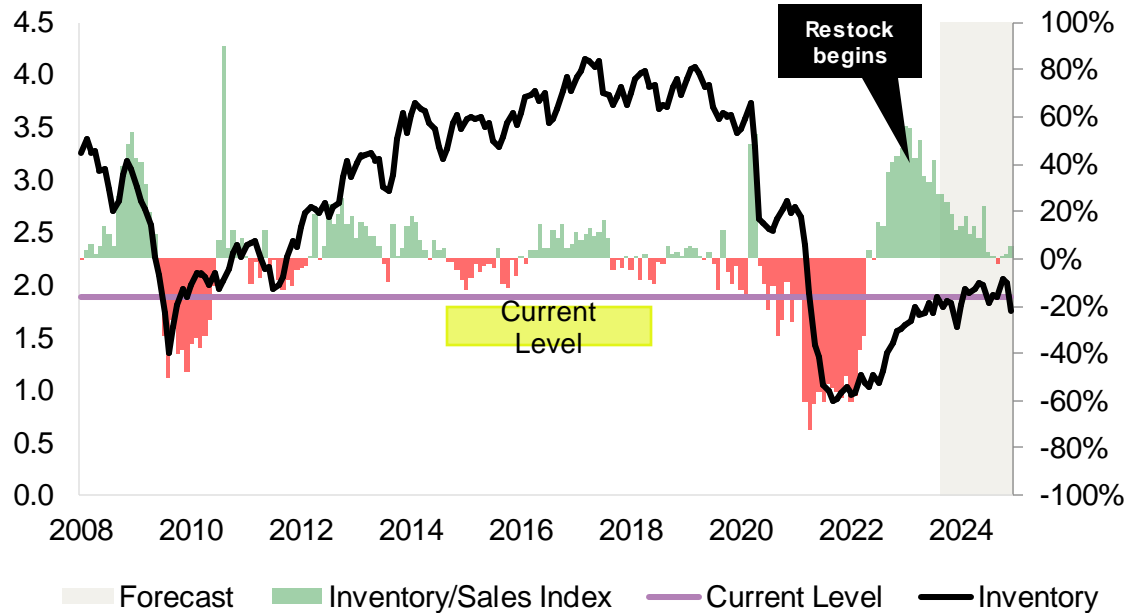




US Vehicle Inventory Levels

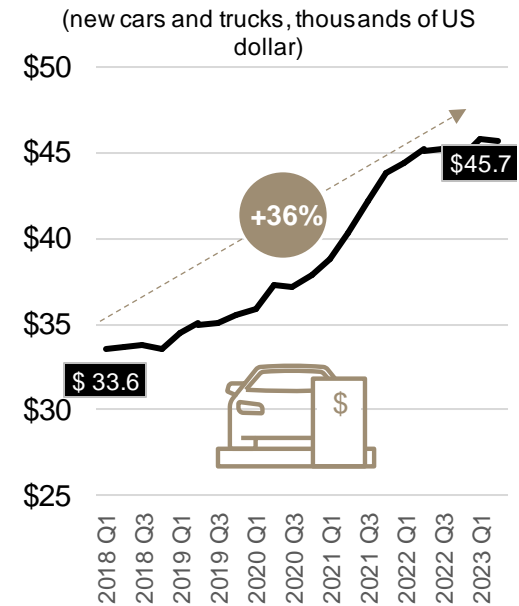
Supply chain challenges are finally abating enabling some inventory re-build, yet recovering sales offset broader re-stock efforts in the near-term; Average new vehicle prices increase by 36% since Q1-2018

US Vehicle Inventory by Month



Data compiled September 5, 2023.
Source: S&P Global Mobility Light Vehicle Production Forecast; Motor Intelligence

US Avg. Light Vehicle Prices

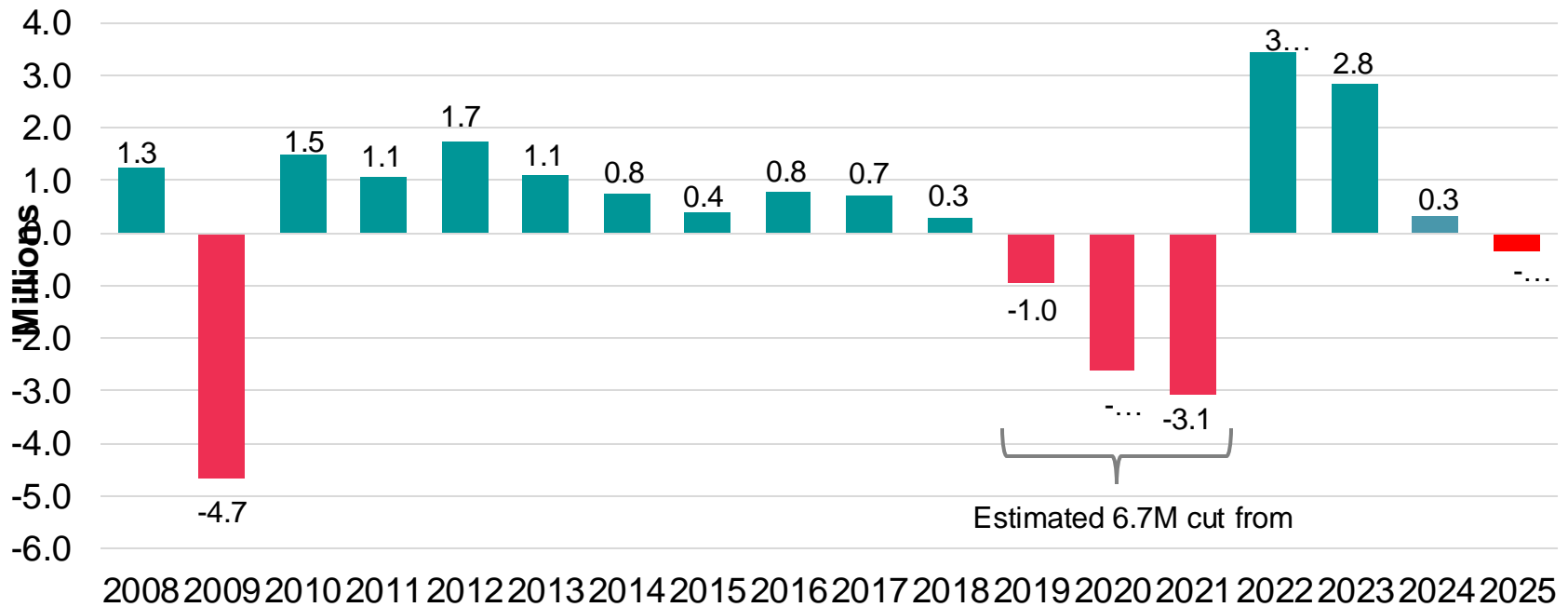


Source: S&P Global Mobility; Market Intelligence

Rebuilding Inventory Levels Continue to Offer Some Upside...For Now

Stocks need to increase but not to pre-crisis levels; Strength of 2022 effect changes pattern in the short-term; Who blinks first? Will OEMs retain discipline as headwinds ease?

Change in Global Production Levels Versus Global Sales (Proxy for Global Inventory Levels)



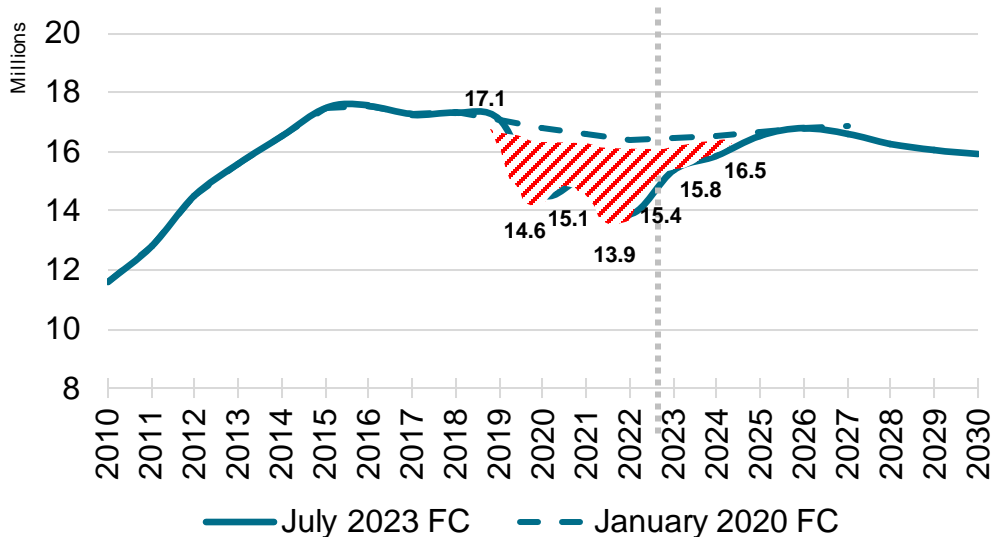
Data compiled August 15, 2023.
Source: S&P Global Mobility

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US: Light Vehicle Sales Outlook

Supply chain constraints alter initial sales recovery; Pent-up demand provides near-term support yet is vulnerable to second order impacts from macro/market conditions; **Availability gives way to affordability**

US Light Vehicle Sales



Data compiled July 17, 2023.
Source: S&P Global Mobility

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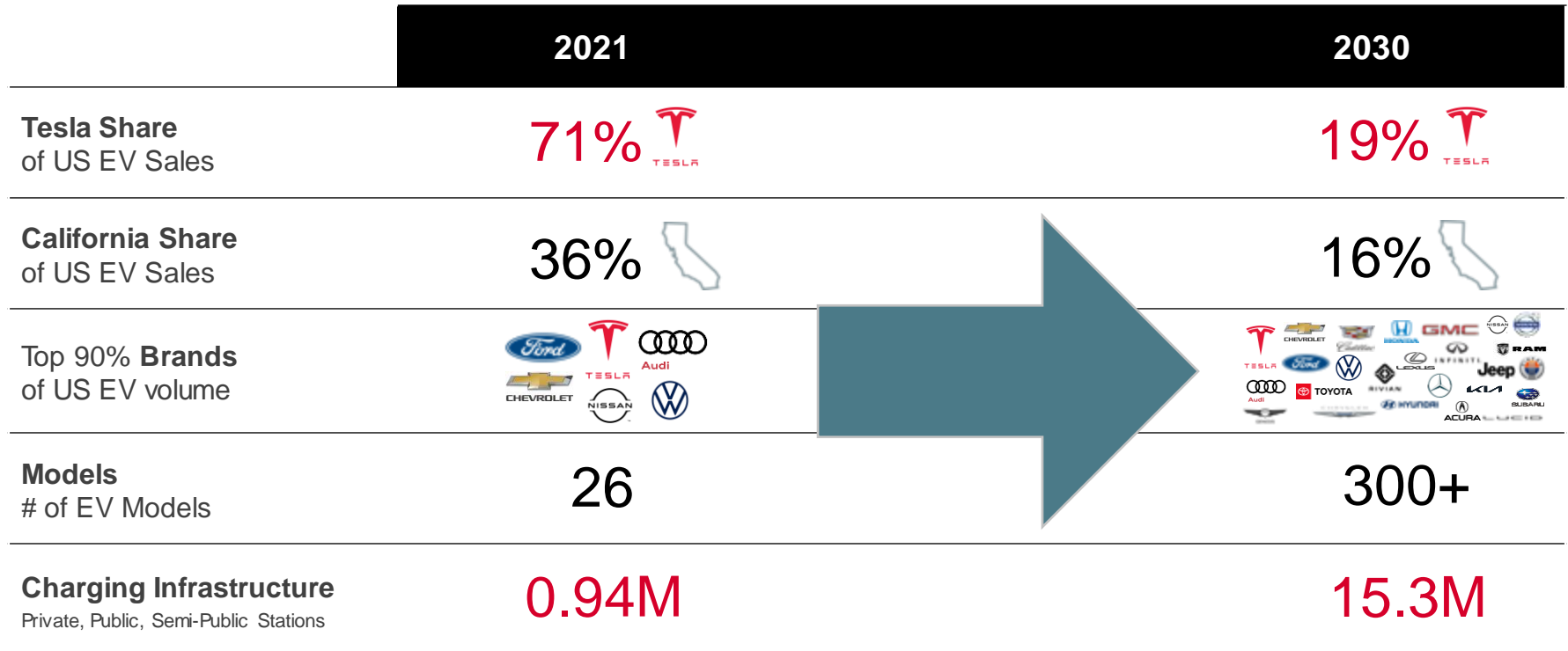
Key issues

- US consumer outlook remains challenged with inflation, interest rates, vehicle pricing and confidence as material concerns, yet fleet sales serve as a critical support to vehicle sales
- **A faster transition from supply constrained to demand constrained is already in process**
- Opportunities to find right customer based on vehicle age and scrappage
- Launch activity is accelerating, finding the optimal mix (segment, trim, etc.) will be critical
- Vehicle development costs rising
 - Regulatory compliance
 - Consumer contenting
- Market conditions are shifting, yet sales are still running at below-trend levels
 - Rising interest rates
 - Affordability becoming a greater challenge; macro environment weighs on sentiment

S&P Global Mobility

The Battery Electric Vehicle Transition is Accelerating

US BEV Market

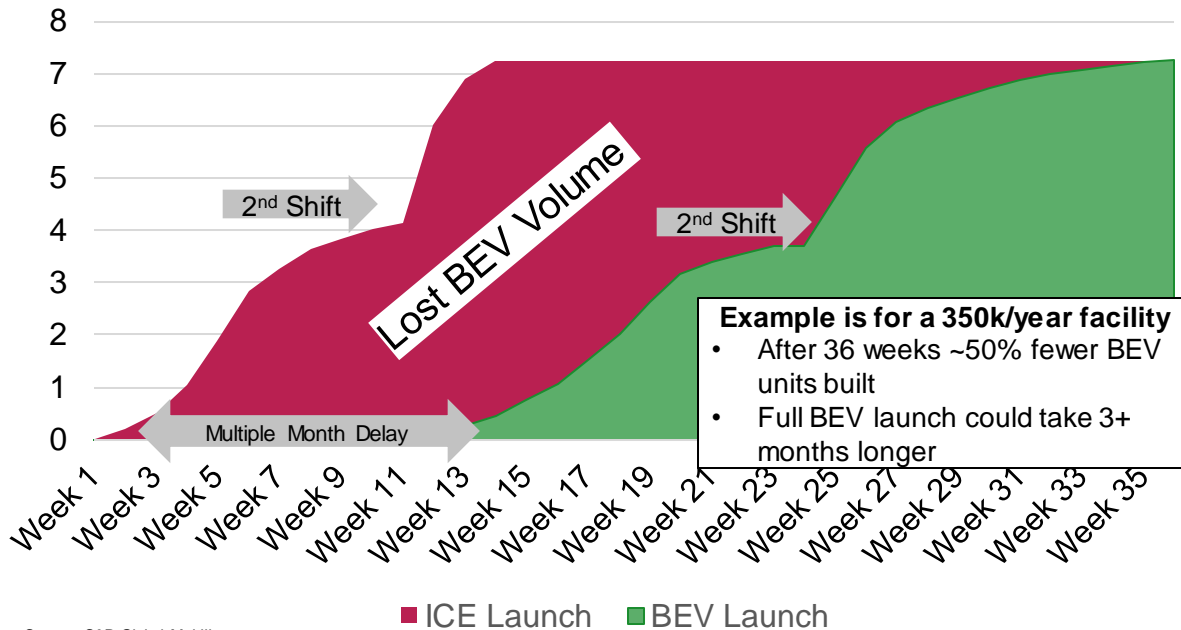


Source: S&P Global Mobility; 2021 based on Total New Registrations

BEV Launches Likely To Be Delayed and Protracted

Lessons learned after decades of ICE launches may not apply to BEVs

Typical ICE vs. BEV Launch



DNA of a BEV Launch

- New production process
- New supplier ecosystem
- Newly trained workforce
- New logistics
- Lack of carryover systems
- Suppliers not tested at rate

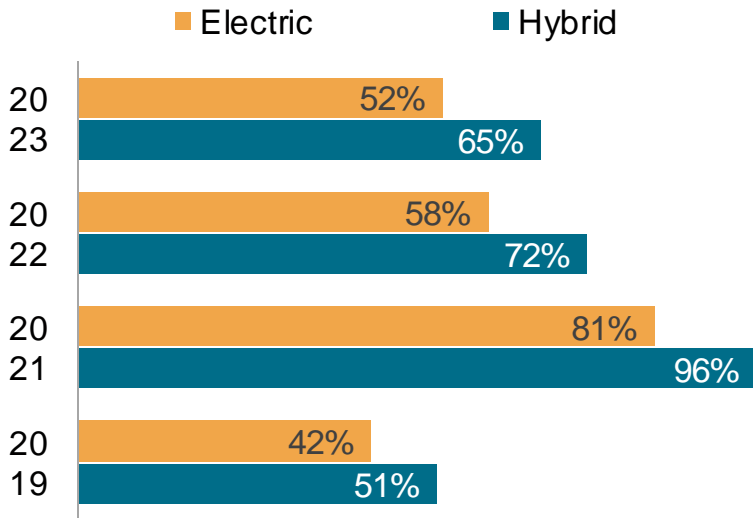
Impact on Suppliers

- Stranded capital
- Lower productivity & efficiency
- Additional inventory costs
- Opportunity cost vs. more stable programs

Consumer Openness and Buying Decisions – US Respondents

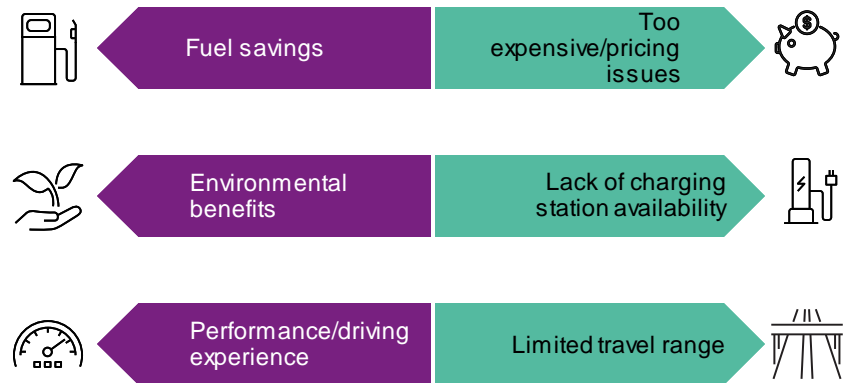
Skepticism toward EV technology continues to grow. While industry and macroeconomic factors help drive adoption of electrification, pricing, battery technology, and charging infrastructure remain barriers

Openness to purchasing electric or



As of May 2023.
 N=US (2019: 732; 2021: 728; 2022: 700; 2023: 622)
 Source: S&P Global Mobility.
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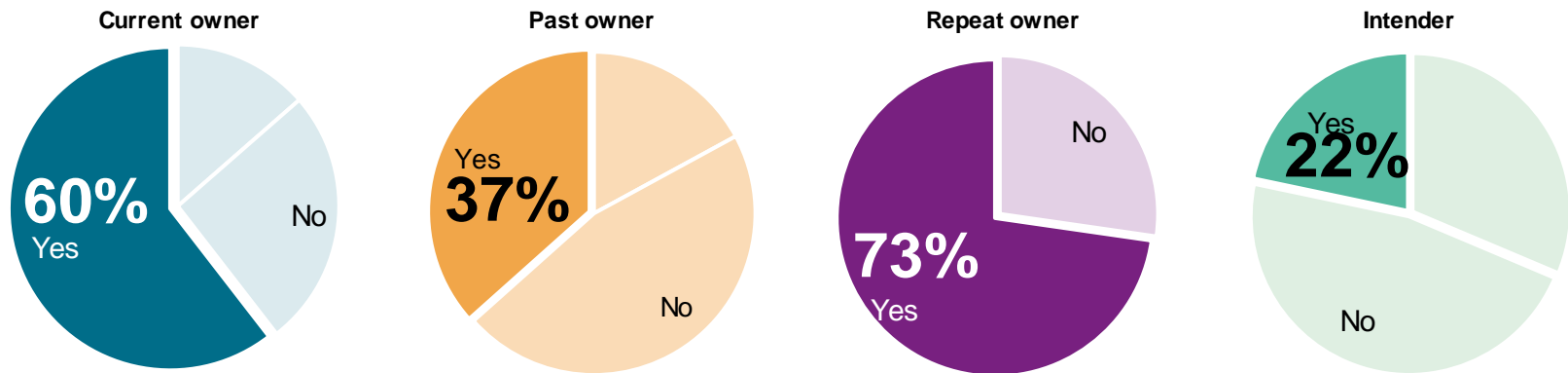
Reasons for and against purchasing an EV/hybrid



Charging Infrastructure – US Respondents

EV charging infrastructure remains mostly insufficient for many consumers, particularly for intenders

Charging infrastructure is sufficient for my needs



More consumers are aware of available charging stations near their home or workplace, but the charging infrastructure continues to be a key barrier to widespread adoption of EV technology.

As of May 2023.
N=US:917.
Source: S&P Global Mobility.

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