Automotive Outlook - Path to Recovery

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Outline

- Recent sales results, implications and scenarios
- Production impact
Latest Light Vehicle market data (selling rates) …

China

Feb-20: -80% yoy  
Mar-20: -46%

Western Europe

Feb-20: -7% yoy  
Mar-20: -51%

Korea

Feb-20: -18% yoy  
Mar-20: +10%

USA

Feb-20: +8% yoy  
Mar-20: -39%
Global Light Vehicle sales – off a cliff

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

- Q1/Q2 lockdown is the longest and most extreme. Social distancing and other measures remain during relaxation, but do not present large economic costs.

V
- 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.

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

Global Light Vehicle Sales (millions)

Source: LMC Automotive
Composition of decline from 2019 to 2020

Global Light Vehicle Sales (millions)

Source: LMC Automotive
US sales pattern as of end of March 2020

US Light Vehicle SAAR

Source: LMC Automotive
Current US sales pattern

US Light Vehicle SAAR

- Pre-COVID-19
- Projected SAAR

Source: LMC Automotive
US Sales show significant risk ahead

Source: LMC Automotive
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.

Source: LMC Automotive
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.

Source: LMC Automotive
Reminder of supply chain complexity

Tier 3 / Raw Materials

Tier 2 component suppliers

OEM parts plants

Tier 1 and module sub-assembly

OEM

Logistics to sales channel
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.
- 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

Source: LMC Automotive
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

4Q19: 47
1Q20: 150
2Q20: 59
3Q20: 68
4Q20: 63
1Q21: 83

Source: LMC Automotive
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

Source: LMC Automotive
North America launch delay analysis

- 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.

Source: LMC Automotive
Final Thought
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Thank you