



EUROPEAN OUTLOOK CONFERENCE

**LONDON**

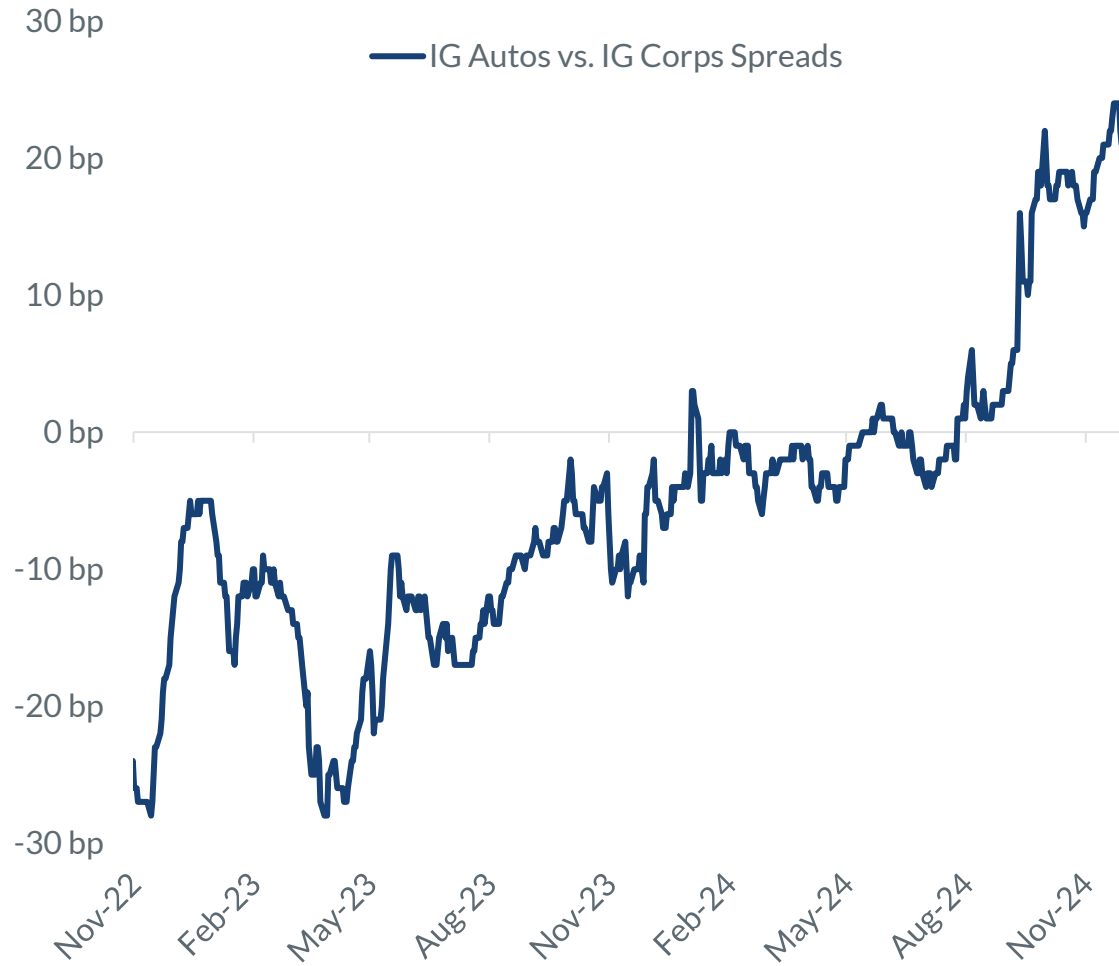
# European Auto Sector 2025 Outlook Crash on the Autobahn?

Logan Miller, Head of European Strategy

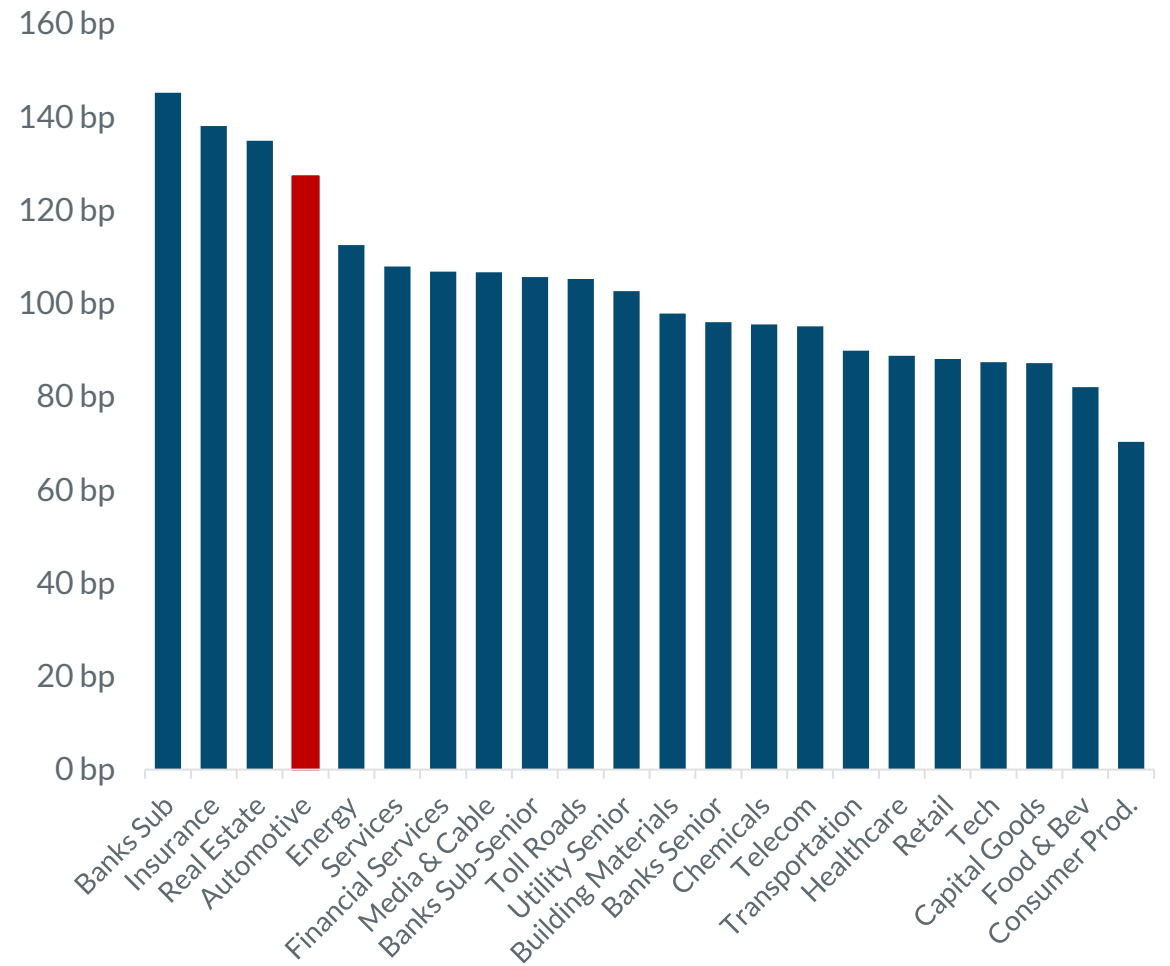
Jim Williamson, Senior Analyst, European Autos

# European Autos: Mind The Gap

## Decompression Between Auto Spreads vs. IG Corps



## Leaving Auto Spreads Among the Widest IG Sectors

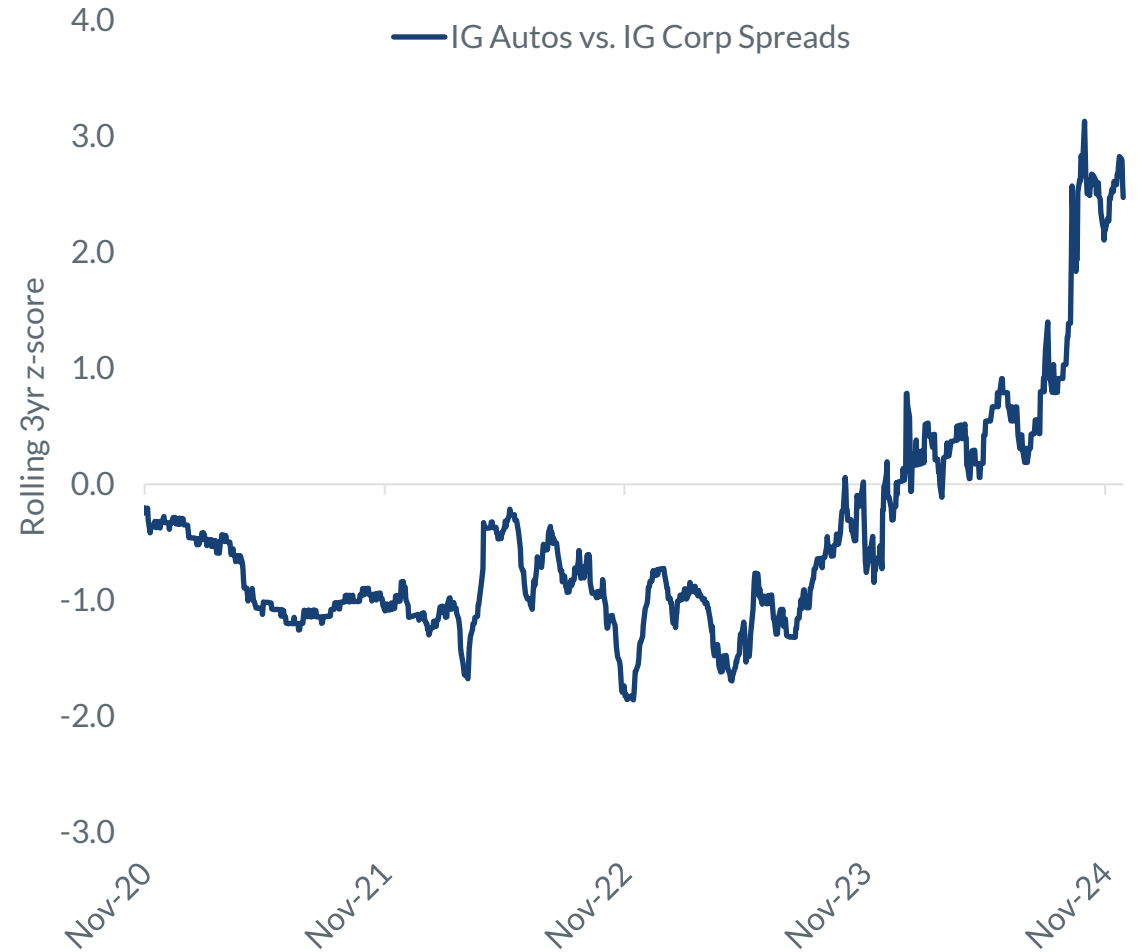


# European Auto Sector Tailwinds

## Auto Sector Tailwinds in '25

- Credit spreads have widened, and sentiment is washed out
- Valuations have flipped from rich to cheap versus Euro IG
- High quality and short duration – BMW, VW and MB are 65% of the index
- All three German Autos have wholly-owned captive financing operations
- Downgrade risks are limited

## European Auto Valuations Already Decoupled vs. IG

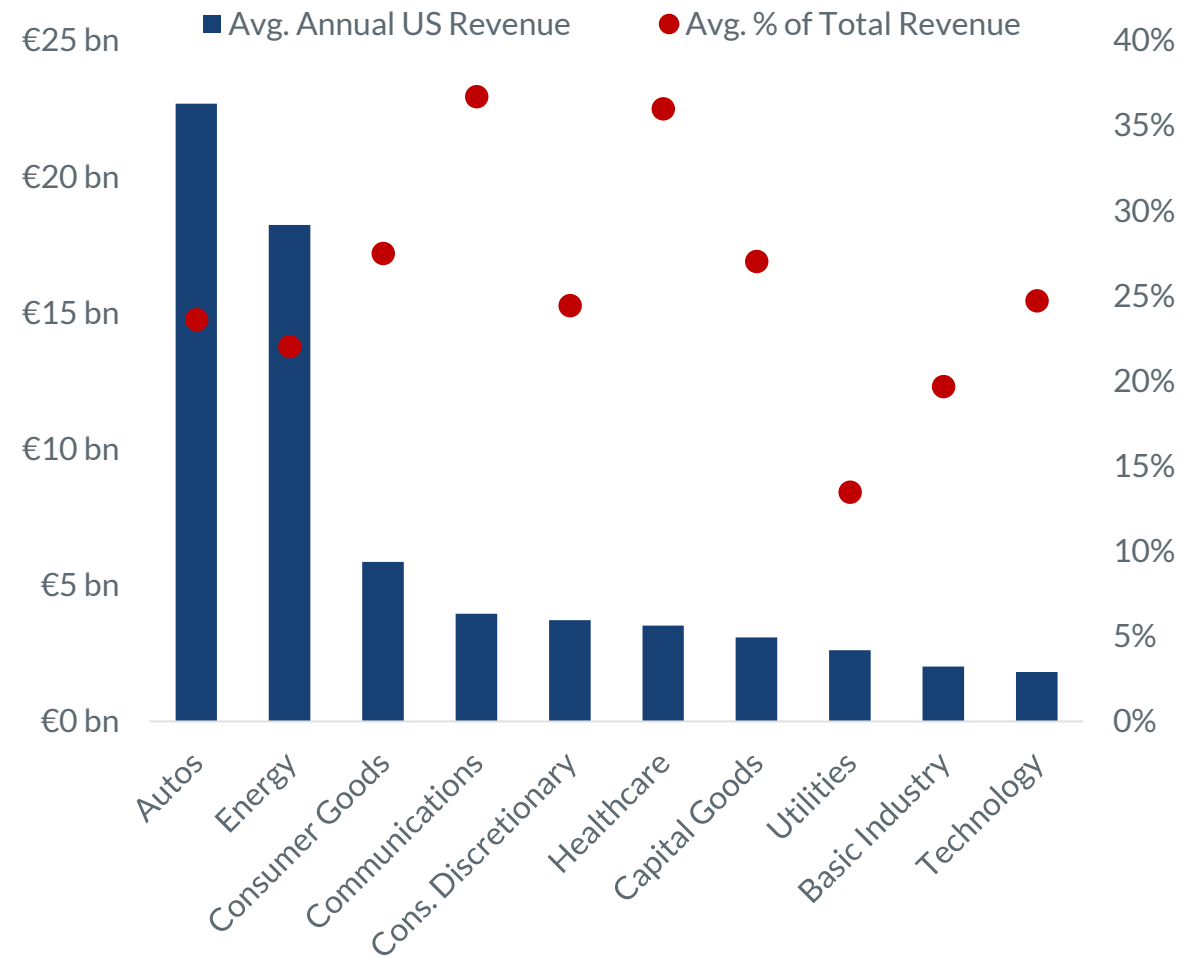


# European Auto Sector Headwinds

## What Keeps Us Up at Night?

- Big ships turn slowly
- There is a lot of headline risk in 2025:
  1. Tightening of Emission Standards
  2. Tariff/Trade War Risk
- Headline risks are fairly binary
- Challenging outlook for risk-adjusted returns across IG

## European Autos Have Outsized US Exposure



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