



CreditSights
a FitchSolutions Company

EUROPEAN OUTLOOK CONFERENCE
LONDON

**European Auto Suppliers:
The Great Recalibration**

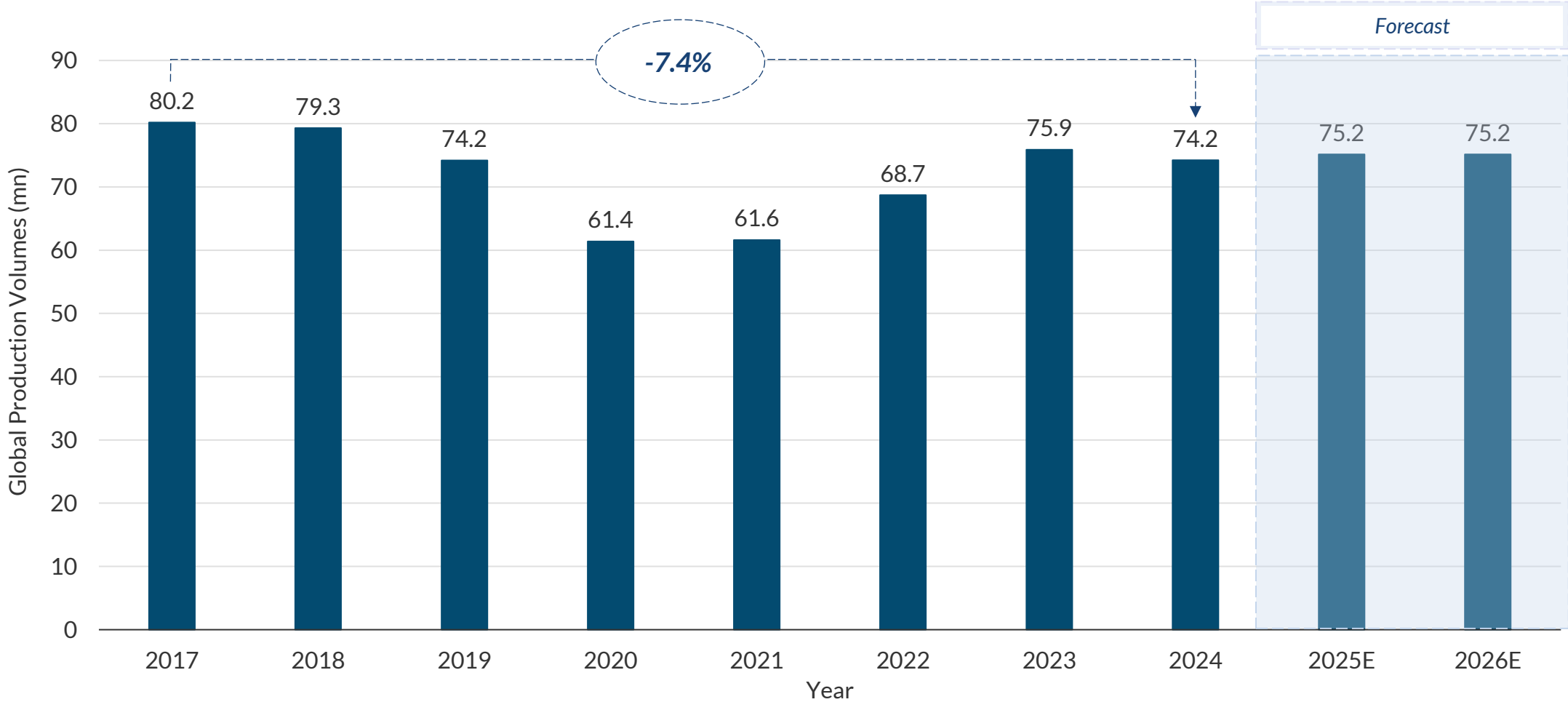
Jim Williamson, Senior Analyst, European Autos
Mark Ryan, Analyst, European Autos

December 2024

Global Production Rates

Production Rates

Global Production Volumes are still well below 2017 levels

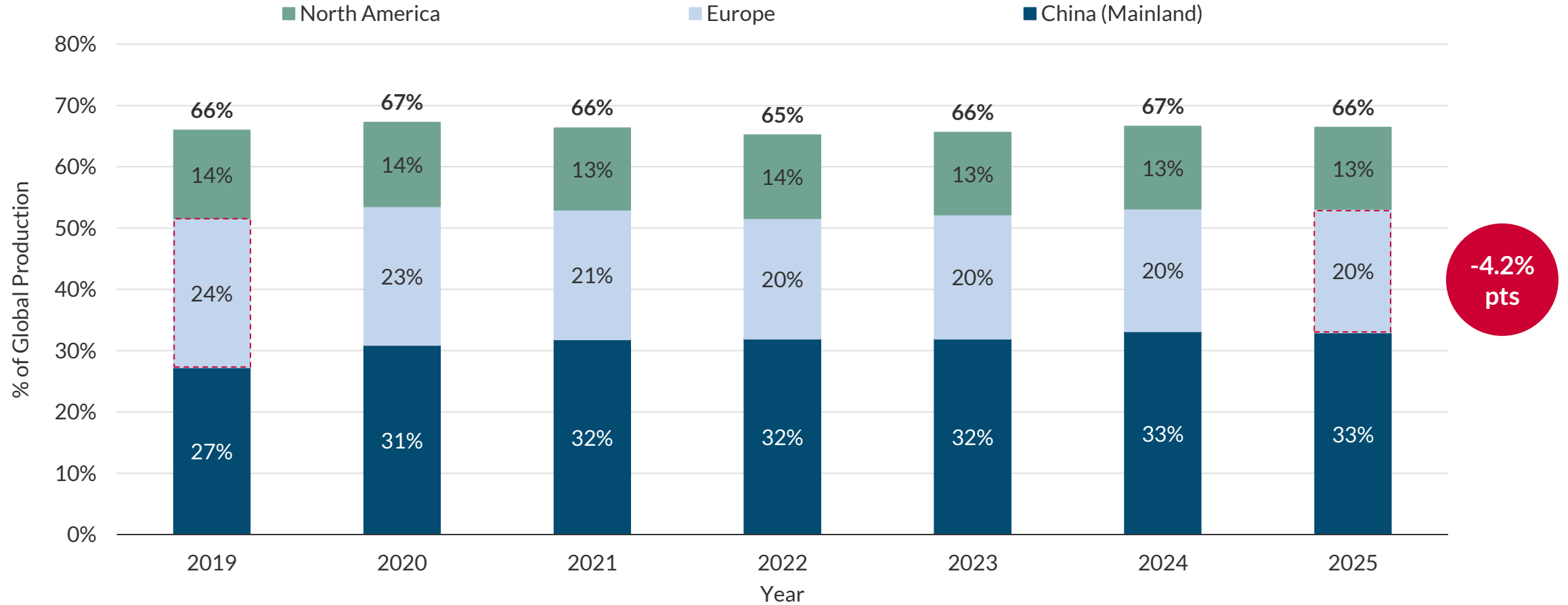


1 Source: CreditSights Estimates, European Automobile Manufacturers' Association Global Passenger Car Production

Global Production Mix

Production by Region

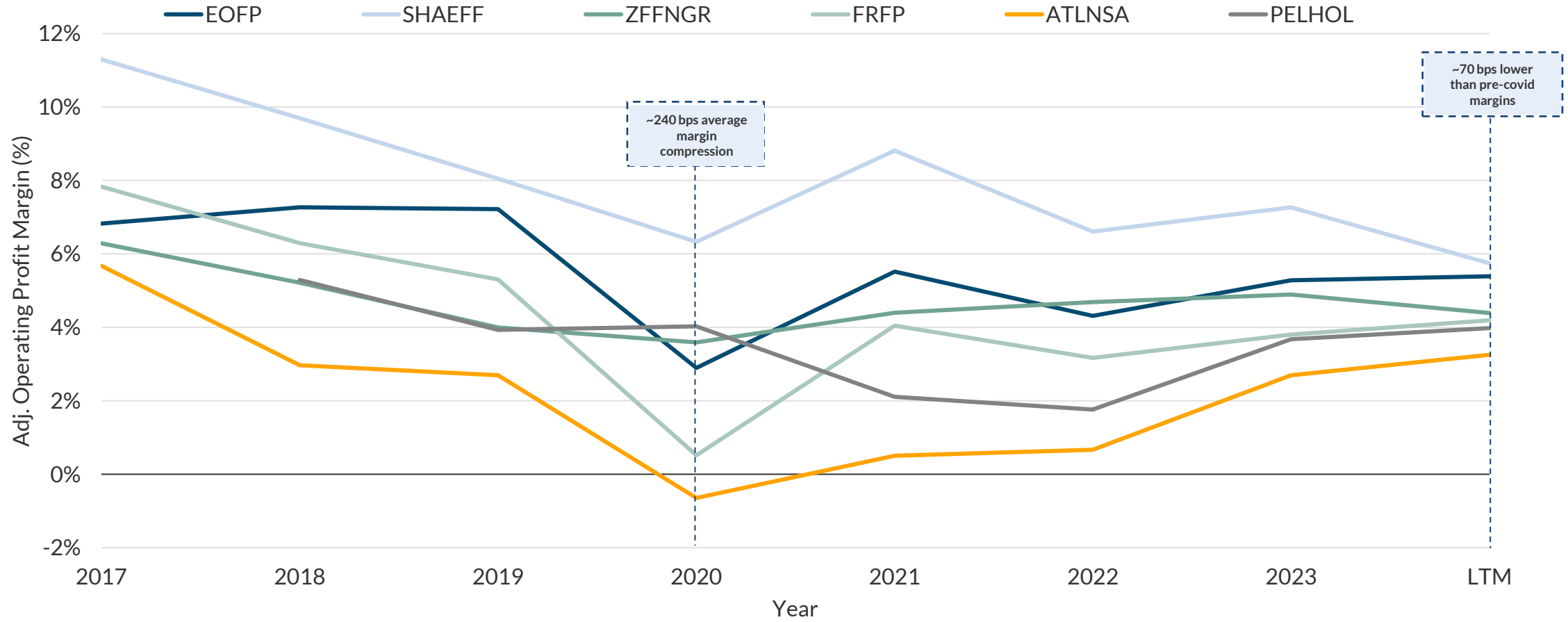
Production Volumes as a % of global production have deteriorated in Europe since 2019



Margin Evolution

Margin evolution

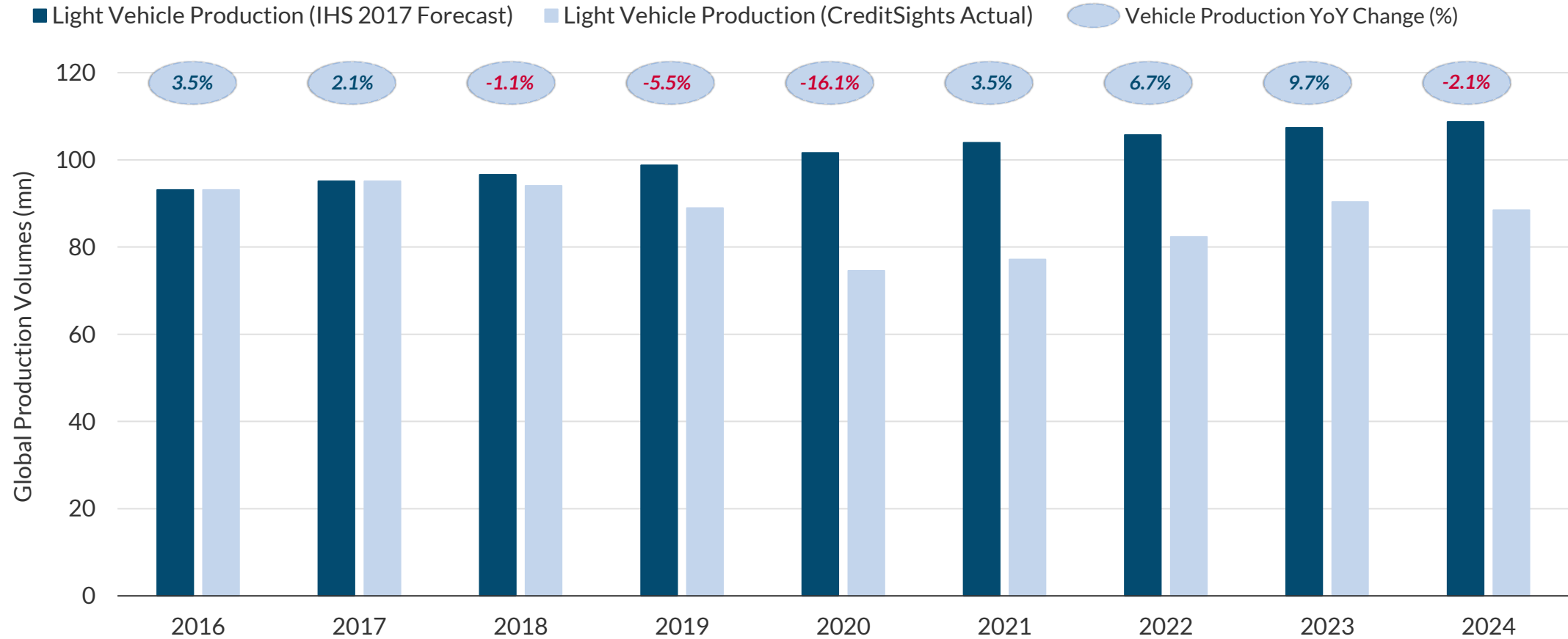
Adjusted Operating Profit Margins are below pre-pandemic levels



How did we get here?

Light Vehicle Production

Forecast vs reality: Volumes failed to live up to ambitious pre-pandemic forecasts

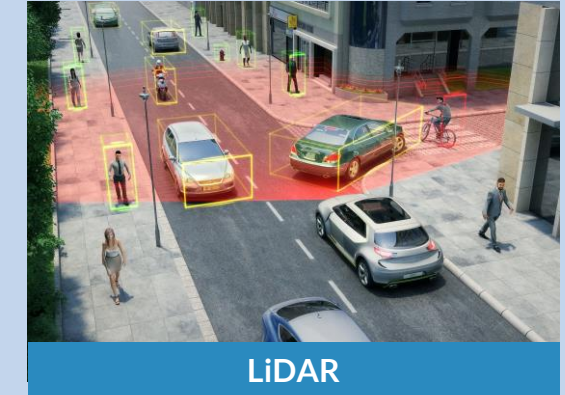
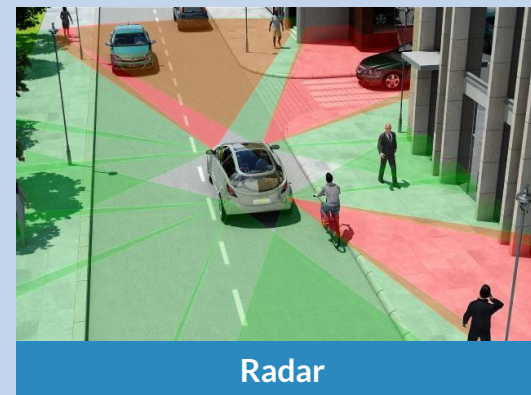


EV Impact

EV Impact on Utilization

Suppliers have built up EV component business; Capacity utilization implications

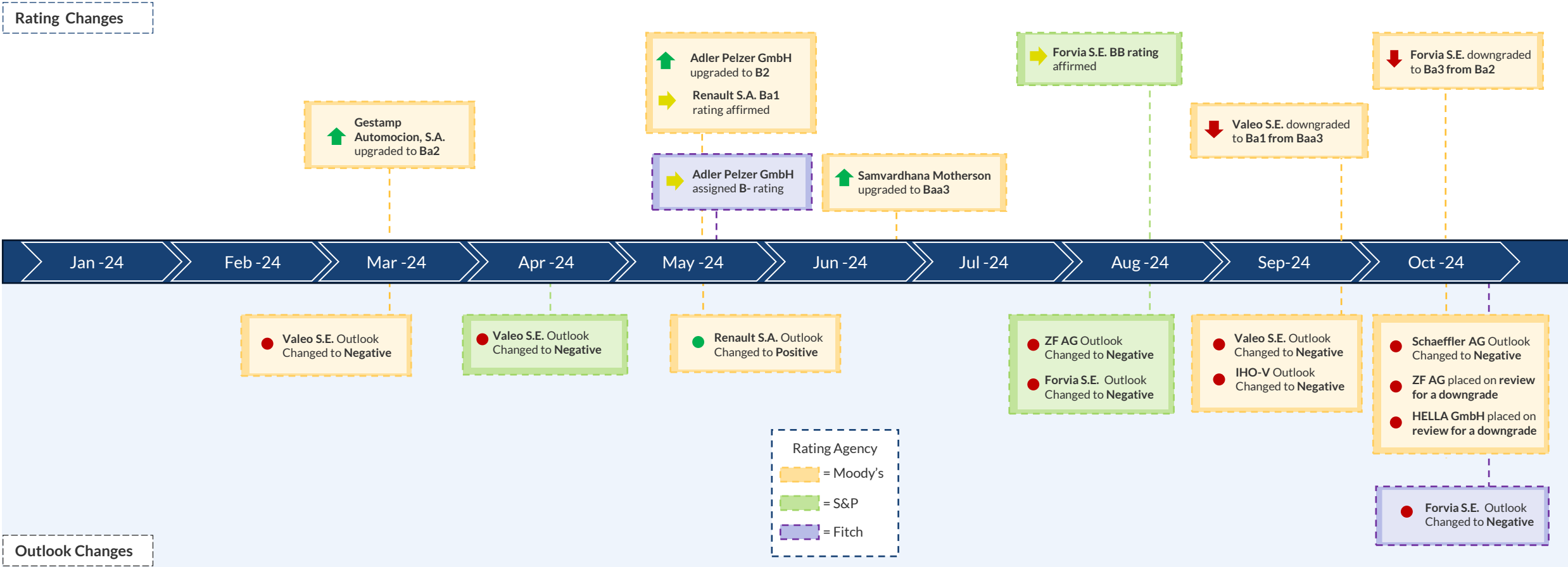
 ADAS Technology Portfolio	
Ultrasonic Sensors	Cameras
 USV10	Smart Cam Entry ADAS 
Ultrasonic sensors with AI signal processing for near-range perception	Smart Front Cameras - Key component in ADAS and AD systems
Radars	LiDARs
	 SCALA Gen 3 Long Range LiDAR Sensor
Radars for both ADAS and Automated Parking applications	Long Range LiDAR systems enabling L3-L4 automation



Ratings

Rating

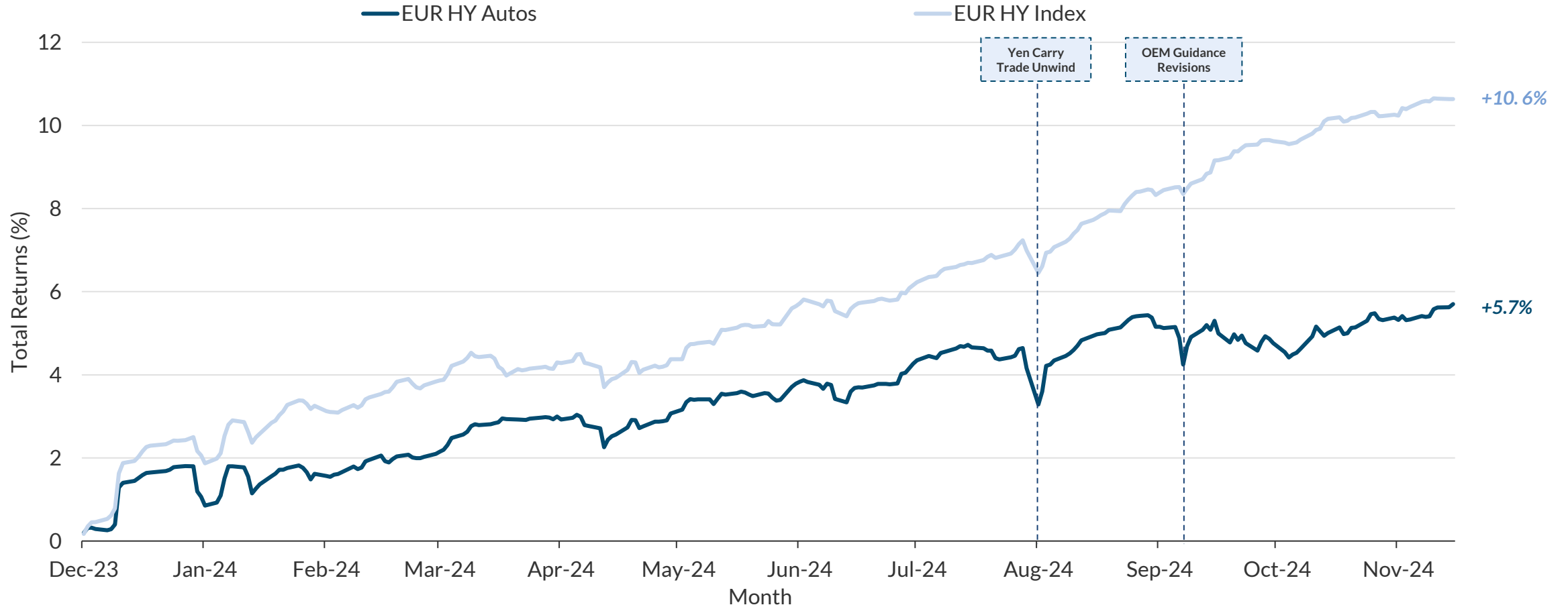
Rating Downgrades and Negative Outlooks Pickup Across Suppliers



Relative Value

HY Autos vs HY Index




EUR HY Autos have lagged the broader HY Index



Picks and Pans

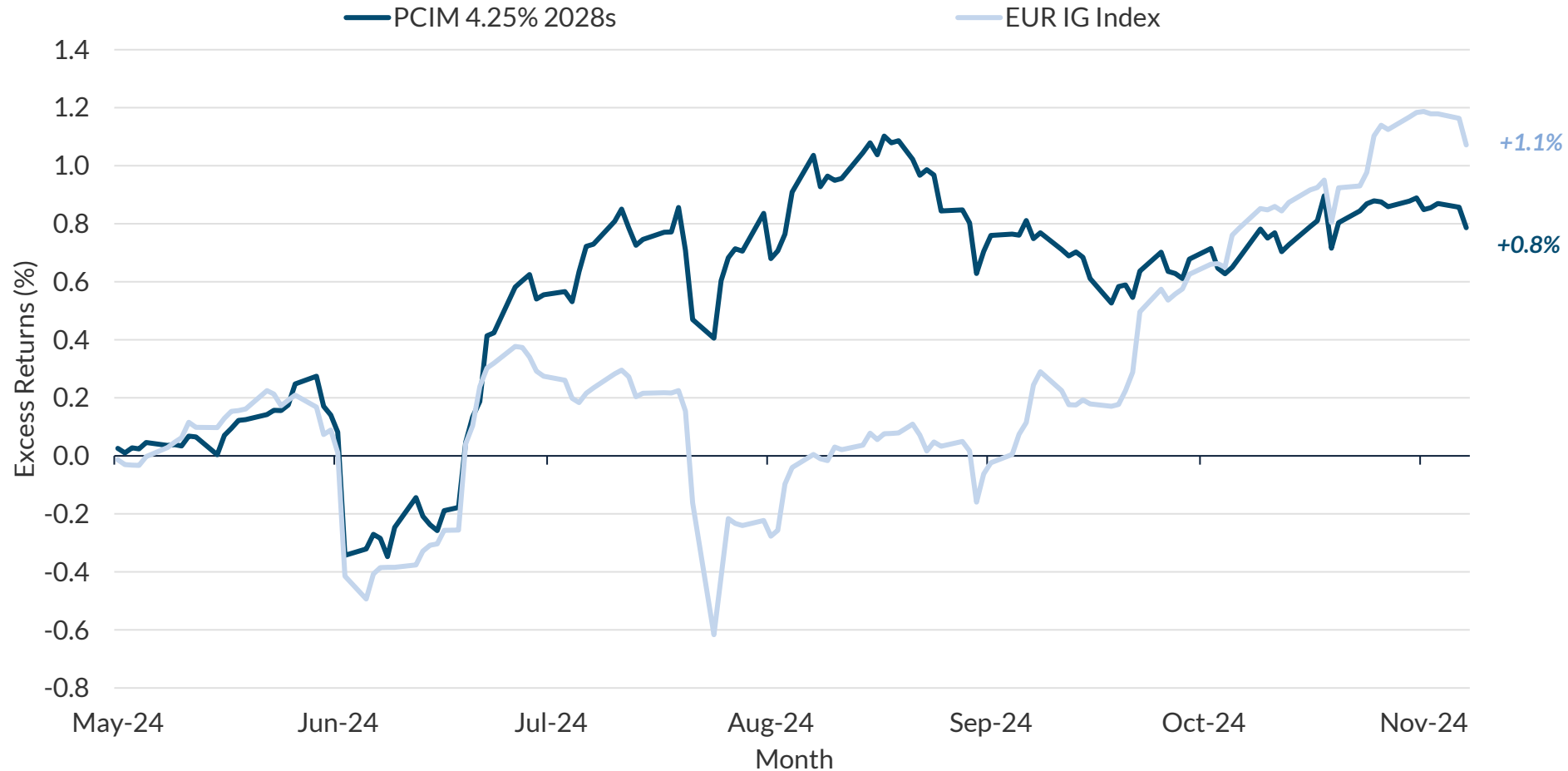
Picks & Pans Overview

Picks	
Rec change: May-2024	
	
Pirelli & C SpA	
Rec change: June-2023	Rec change: July-2024
	
LKQ Corporation	Forvia SE

Pans	
Rec change: August-2024	
	
ZF Friedrichshafen AG	
Rec change: May-2024	Rec change: November-2024
	
PIK notes	
IHO Verwaltungs GmbH	Grupo Antolin-Irausa SA

Picks – Pirelli & C SpA

Pirelli & C SpA – Excess Returns (%)



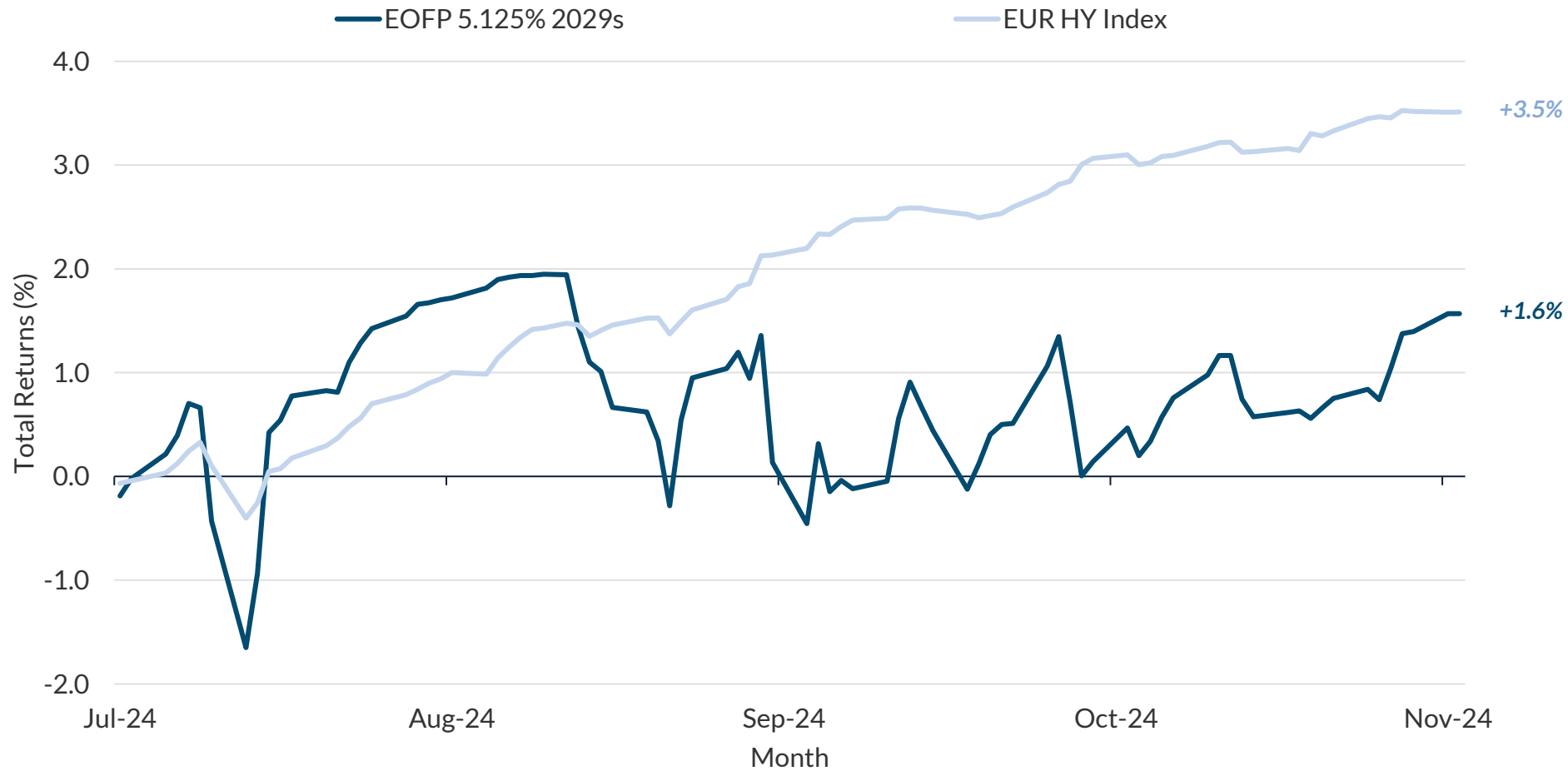
1 Cyclically resilient

2 Heavy exposure to replacement trends

3 Wide spreads

Picks – Forvia SE

Forvia SE – Total Returns (%)



1 Inorganic deleveraging ongoing

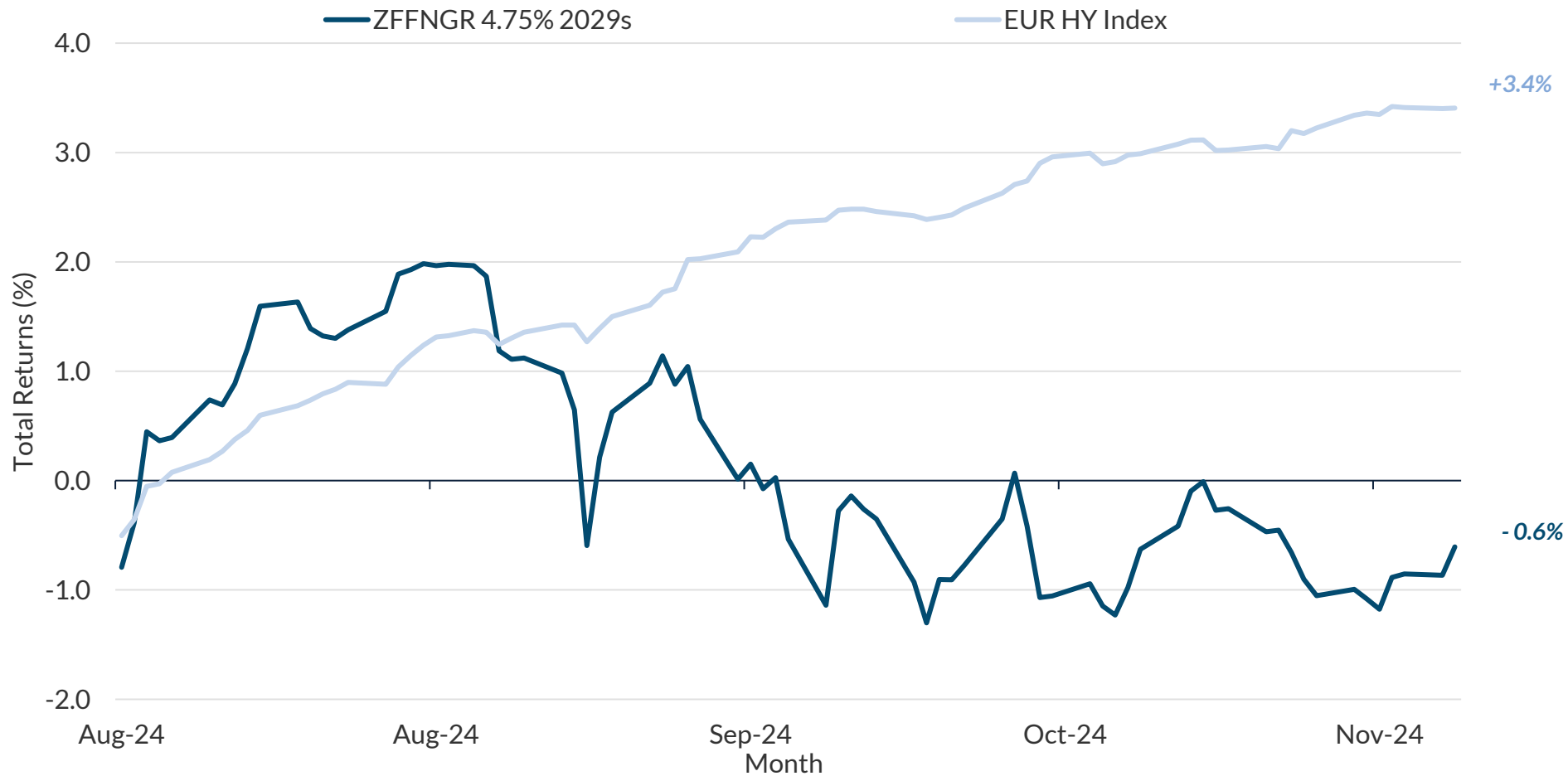
2 Powertrain agnostic product portfolio

3 Strong exposure to Chinese players

4 Wide Spreads

Pans – ZF Friedrichshafen AG

ZF Friedrichshafen AG – Total Returns (%)



1 High downgrade risk

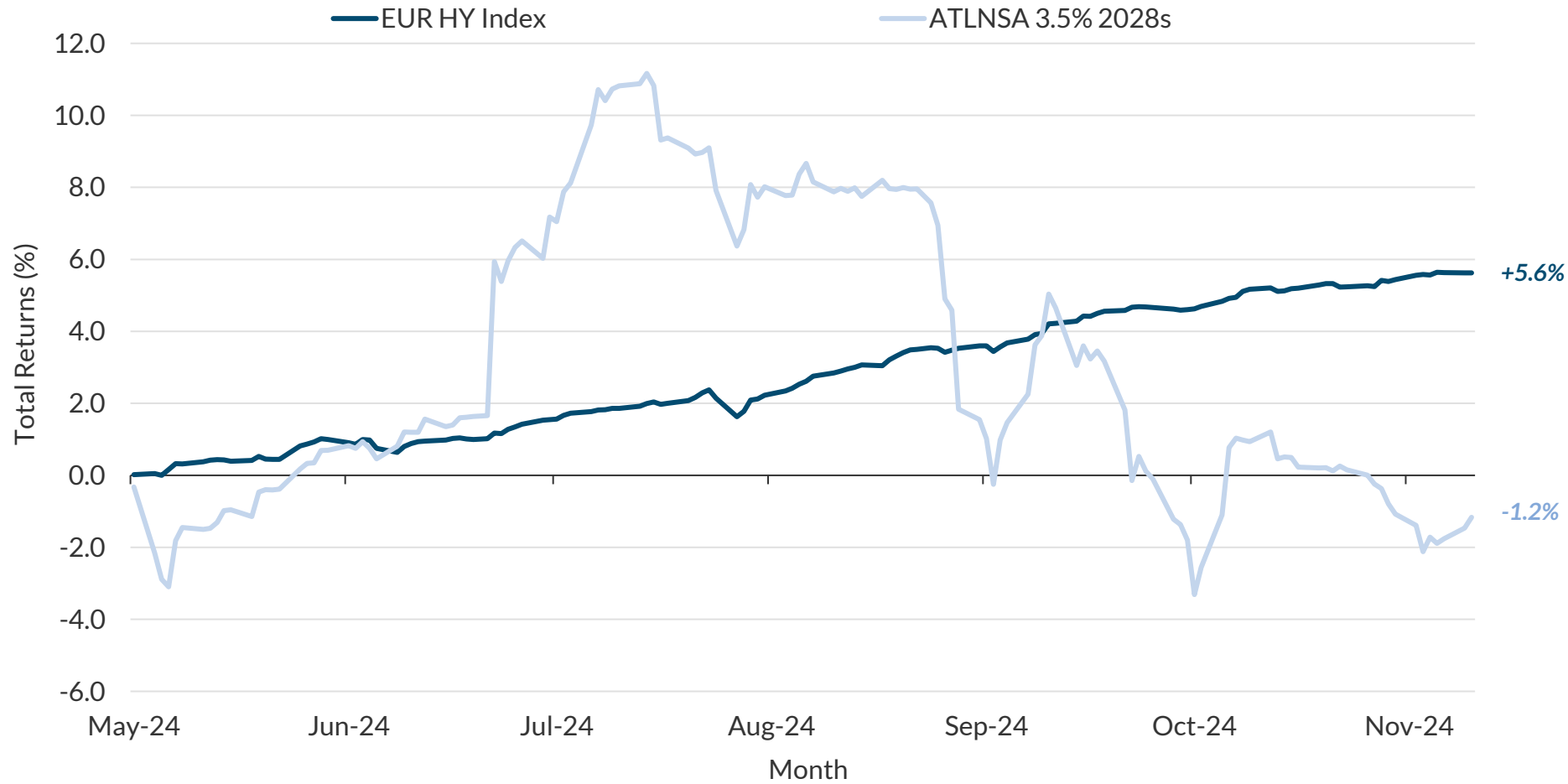
2 Elevated net leverage

3 Weak margin profile

4 Less powertrain agnostic portfolio

Pans – Grupo Antolin-Irausa SA

Grupo Antolin – Total Returns (%)



1 Structurally weaker volume outlook

2 Unsustainable capital structure

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