

CreditSights European Outlook Conference

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European Autos: This Time Is Different

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Why Are Investors Cautious On Autos?

- Autos sector is cyclically exposed
- Strong pricing power will fade
- Consumer demand will plummet
- OEMs won't remain disciplined

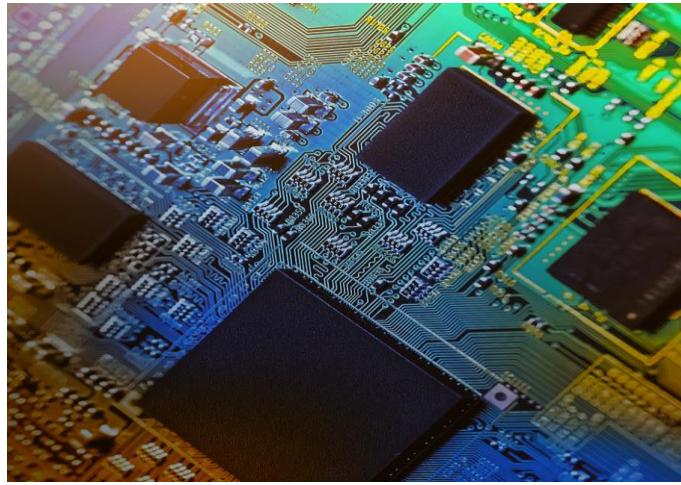


But This Is No Normal Automotive Cycle

COVID (2020)



Semiconductors (2021)



War in Ukraine (2022)



So, is this time different?

Consumer Demand Will Come Under Pressure...



Lower Household
Incomes



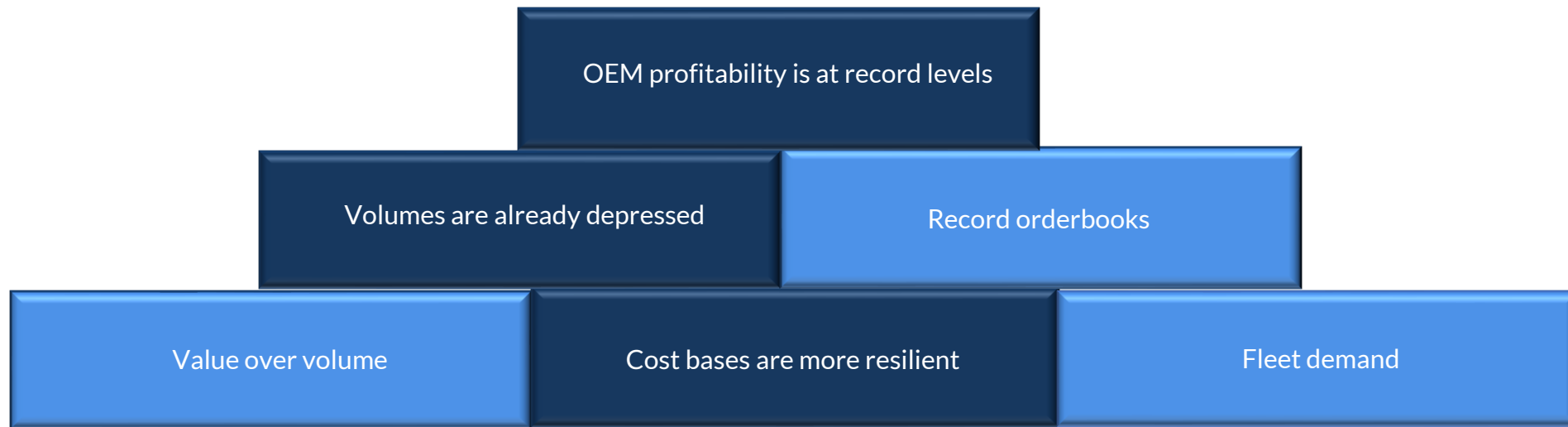
Higher Sticker
Prices



Higher Financing
Costs

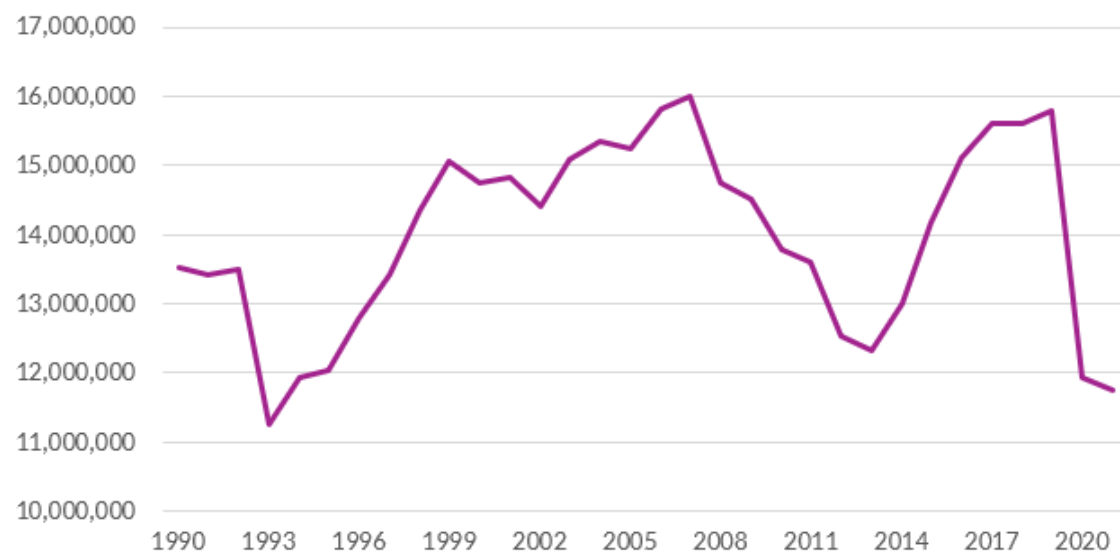
...But There Are Reasons To Be Optimistic

The foundations have been laid over the last three years



Volumes Are Already At Recessionary Levels

European New Passenger Car Registrations



European Automotive Cycles

Cycle	Peak to trough volume decline	Economic Environment
1992 - 1994	-11.6%	High Inflation
2007 - 2013	-23.0%	Financial Crisis
2019 - 2022E	-33.9%	High Inflation

Demand Destruction Is Not Showing Up In Order Books



“the strong order book is something which will support our business development at minimum in the first 2 quarters of 2023...” – **3Q22 Earnings Call**



“this order book will carry us at least through the first quarters of 2023...” – **2Q22 Earnings Call**



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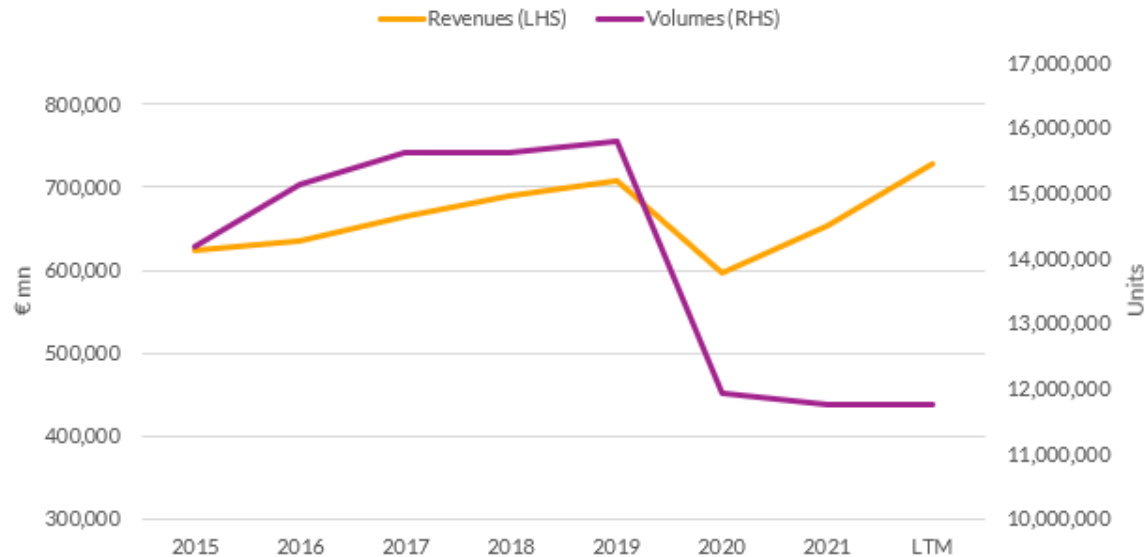
“it would still take us well into mid 2023 before we get back to an order book coverage, which is our target of about 2 months...” – **3Q22 Sales Call**



“we have a strong order book, which gets us well into Q2 next year...” – **3Q22 Sales Call**

The Shift From 'Volume To Value' Is In Full Effect

Aggregate Revenues vs European Volumes

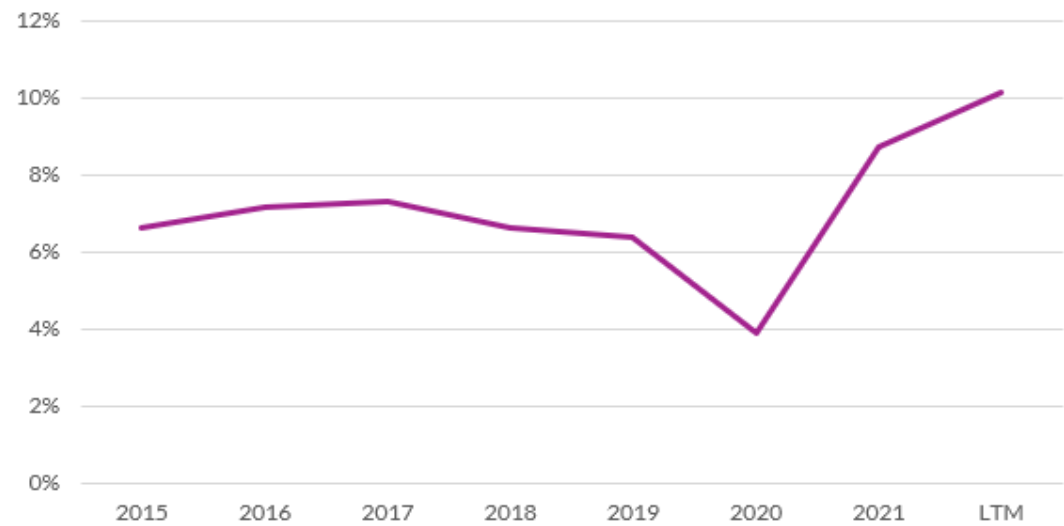


The volume evolution is out of their hands

- Production improvements are still hard to come by
- Lower for longer production environment
- Supply chains are broken

OEM Profitability Has Never Been Stronger

Adjusted Operating Margin Evolution



Driven by:

Pricing	Capacity rationalization
Mix	Fixed cost improvements

2023 Outlook

Factors	Impact
Volumes	Neutral
Pricing Power	Modest Headwind
Incentives	Modest Headwind
Raw Materials	Meaningful Tailwind
Energy and Wages	Modest Headwind
Overall Margin Expectation = Modest Margin Contraction	

Volumes Are Driven By More Than Just Individual Consumers

European New Registrations Mix - 2021

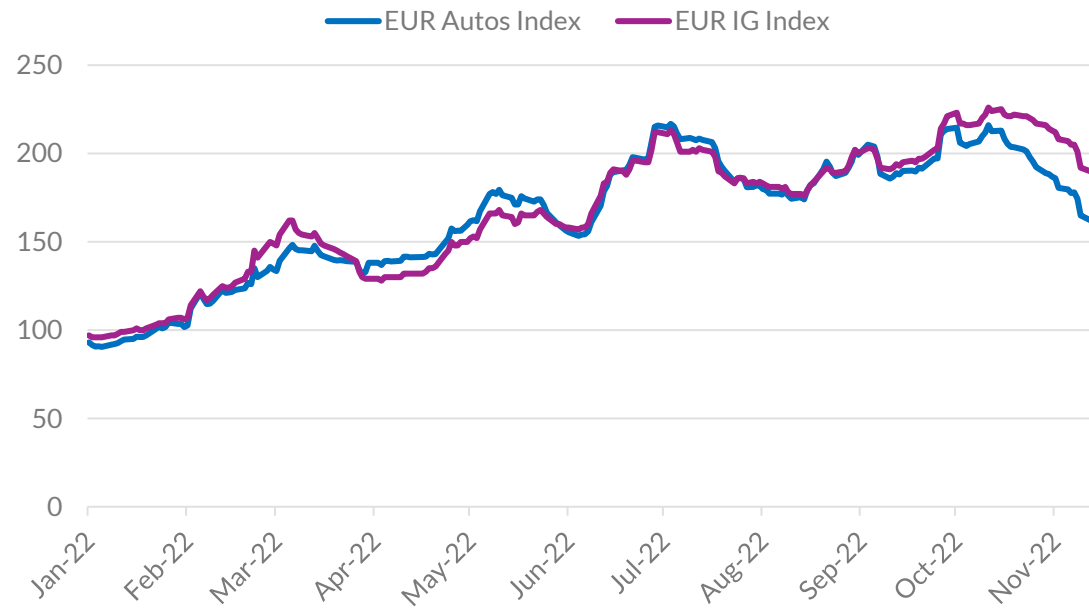
Country	Private	Fleets
Germany	36%	64%
UK	49%	51%
Spain	43%	57%
Italy	63%	37%

This will pick up the slack of a weaker consumer

- Fleets have a stronger focus on residual values
- There has been little opportunity to refill inventories post-pandemic
- Travel & leisure spending remains robust
- Corporate earnings are yet to deteriorate

Where Does This Leave Us On Relative Value?

Shifting to Market Perform (From Underperform)



Pick



Pans



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Thank you
Any questions?



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