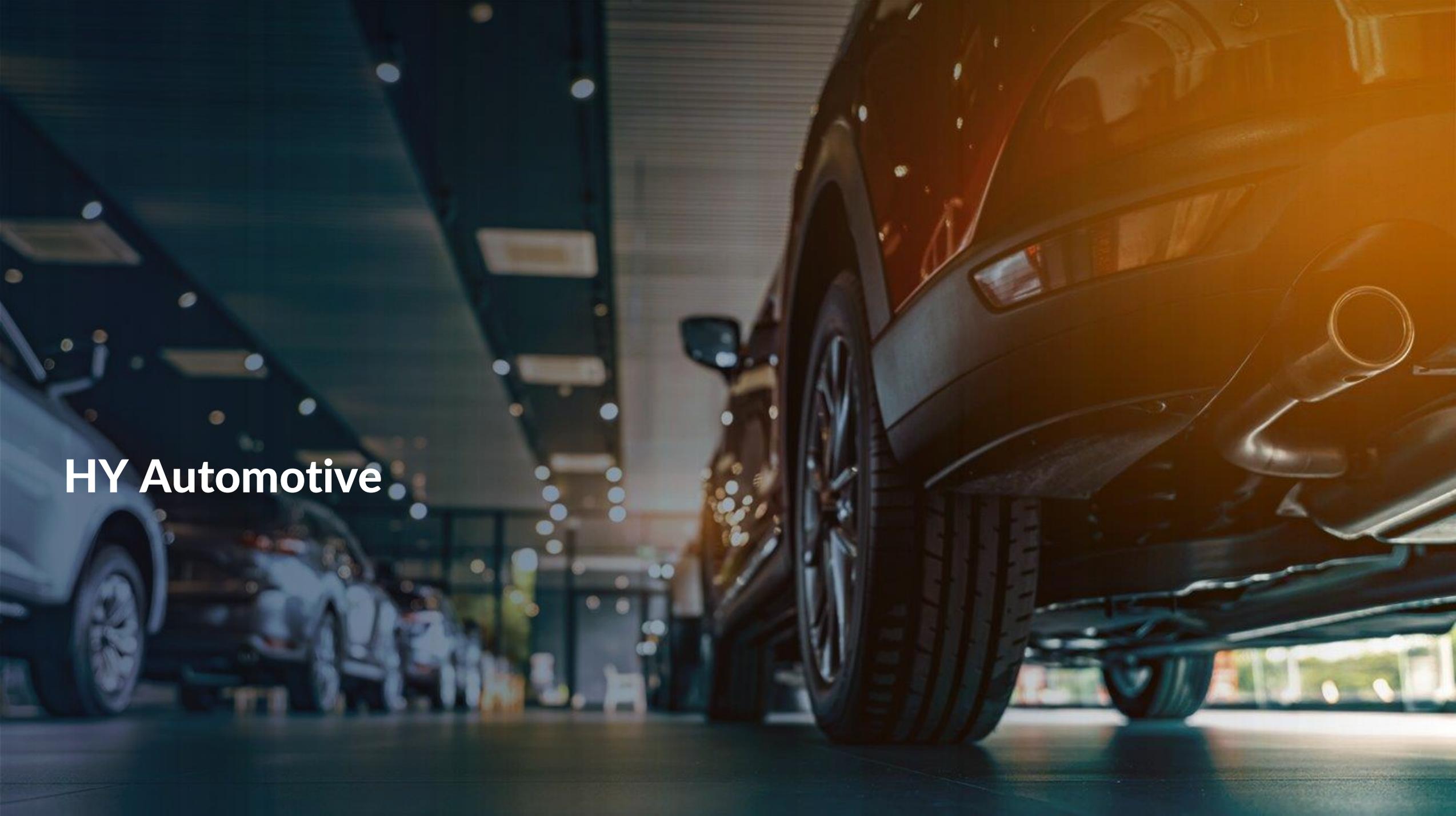


HY Industrials: Into the Unknown

Ash Nadershahi: Head of HY Industrials and Transportation, *CreditSights*

Jim Williamson: Senior European Autos Analyst, *CreditSights*

Mark Ryan: European Autos Analyst, *CreditSights*



HY Automotive

Year in Review

What did we see?



Supply chain constraints eased



Interest rates remained high



Inflationary cost pressures eased



Commercial fleets absorbed new vehicle supply

How have we positioned?

Long

- Strong idiosyncratic stories

JLR

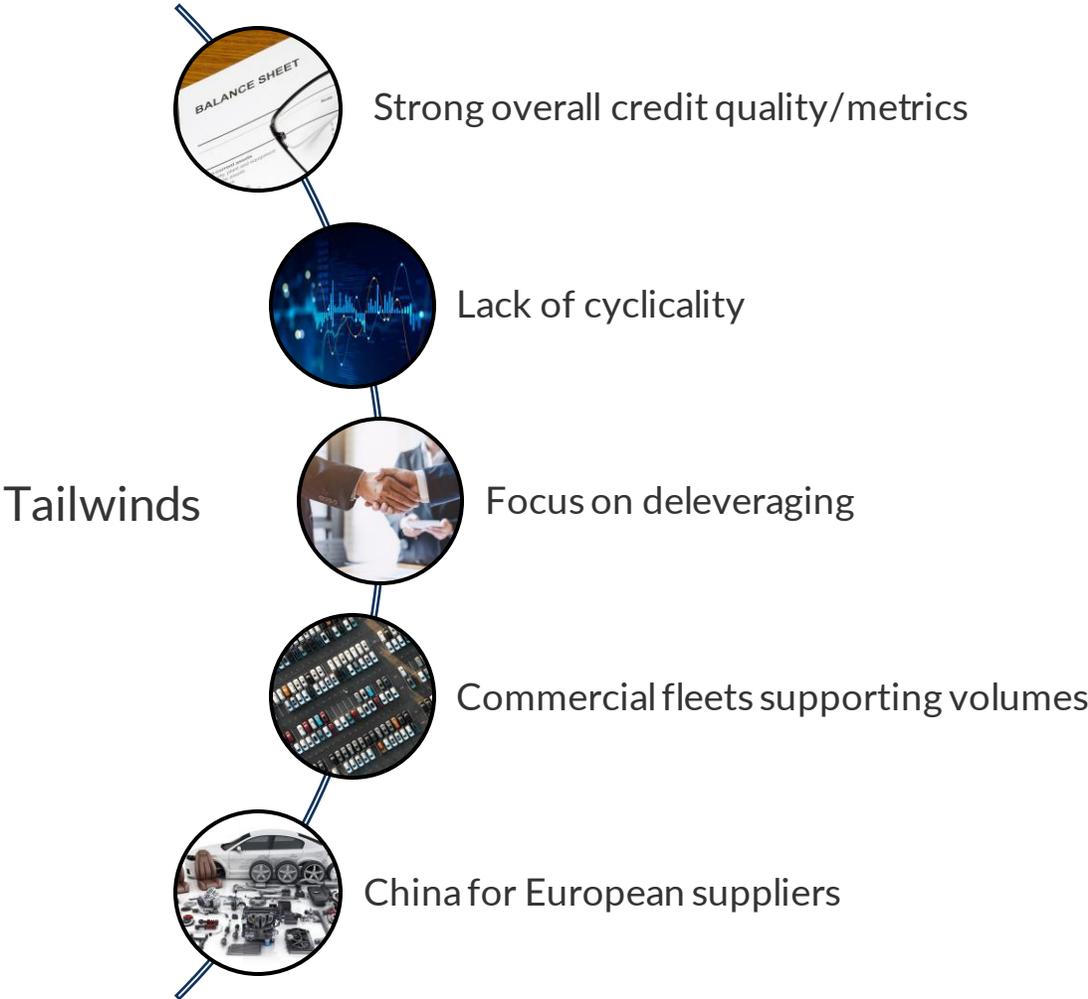


Short

- Avoid CCC
- Unsustainable capital structures

ANTOLIN

The Year Ahead



Focus on Deleveraging

JLR

- Paid down £800 mn bond with cash
- Tendered \$400 mn of bonds
- Targeting a net cash position



- Strong free cash flow generation
- Divestments in 2024
- Explicit IG target

FORVIA faurecia

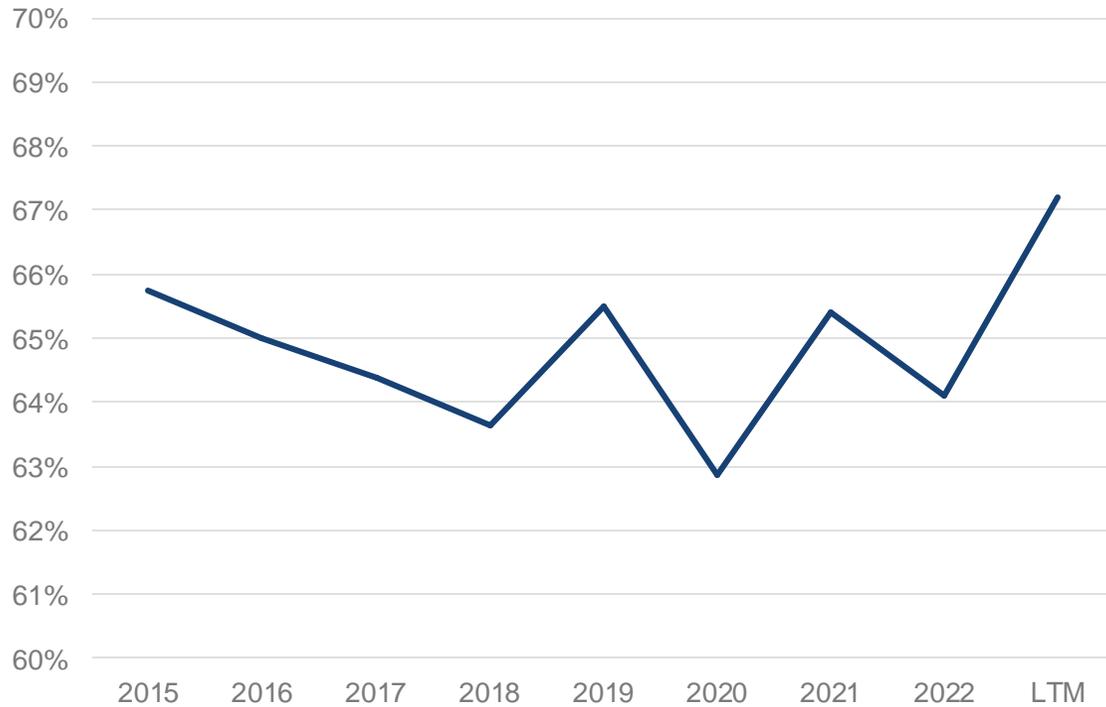
- €1 bn of divestments completed
- Further €1 bn of divestments announced
- Tendered €150 mn of bonds
- Explicit IG target

Valeo

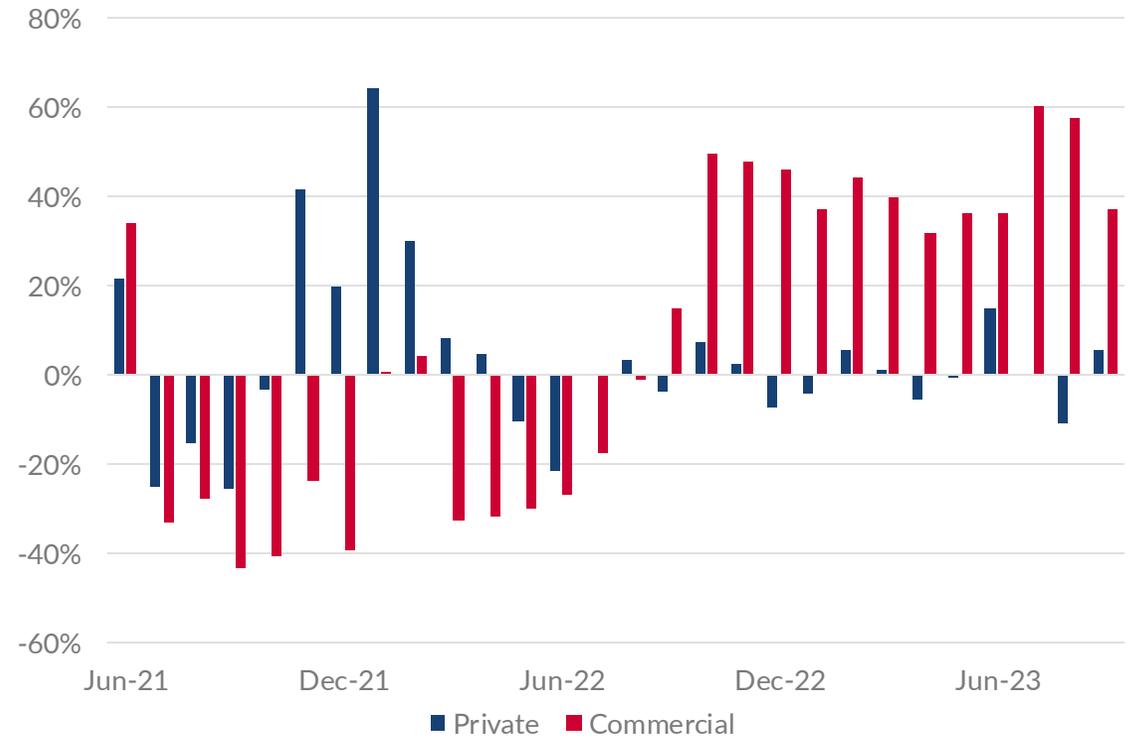
- €500 mn divestment programme
- Net leverage target of <math><0.7x</math> by 2025

Commercial Fleets Supporting Volumes

Mix of New Registrations from Commercial Fleets – Germany



New Registrations YoY Change by Month – the UK

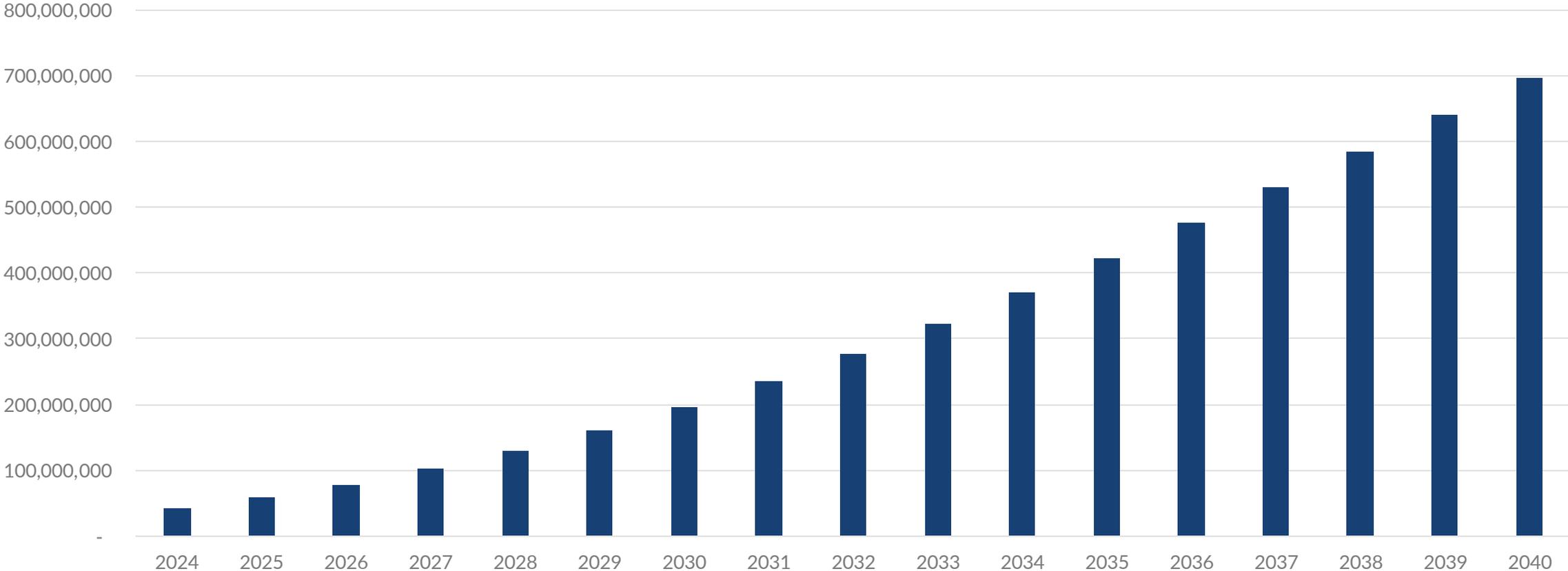


Fleet operators continue to step in and absorb new vehicle supply...

The Year Ahead



Global BEV Volume Outlook

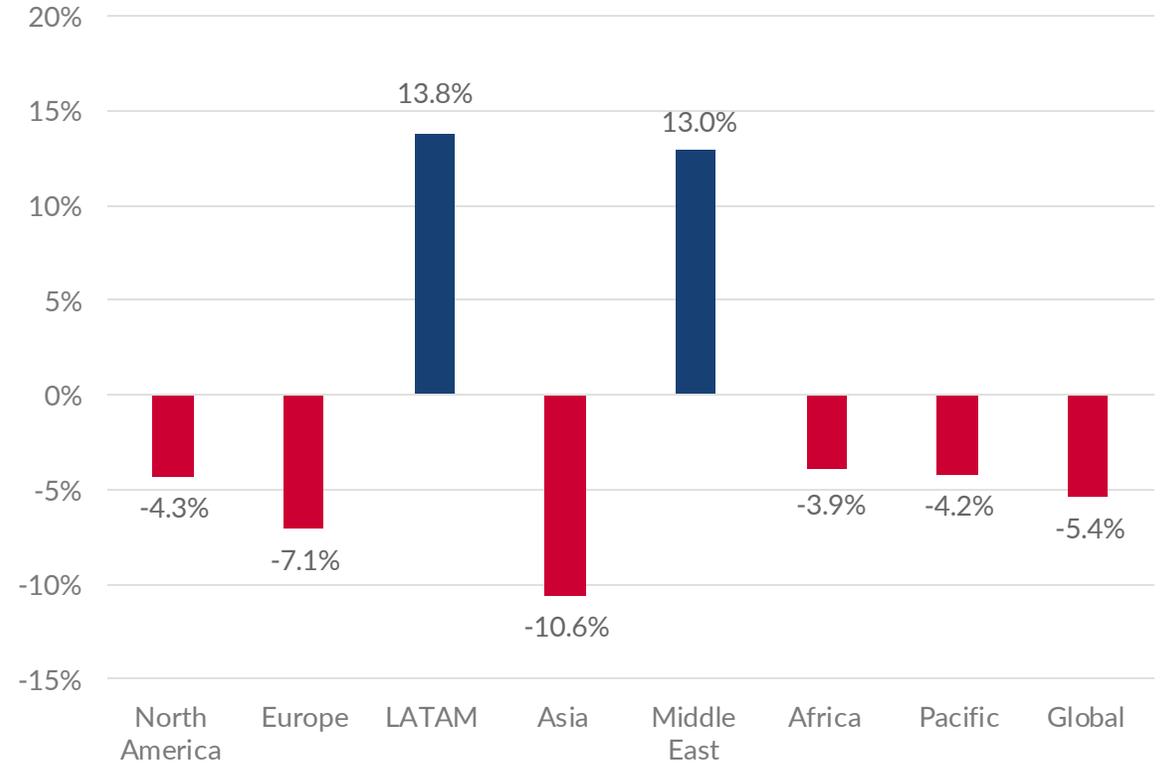


Luxury OEM Market Weakness

Worldwide Luxury Market 2022

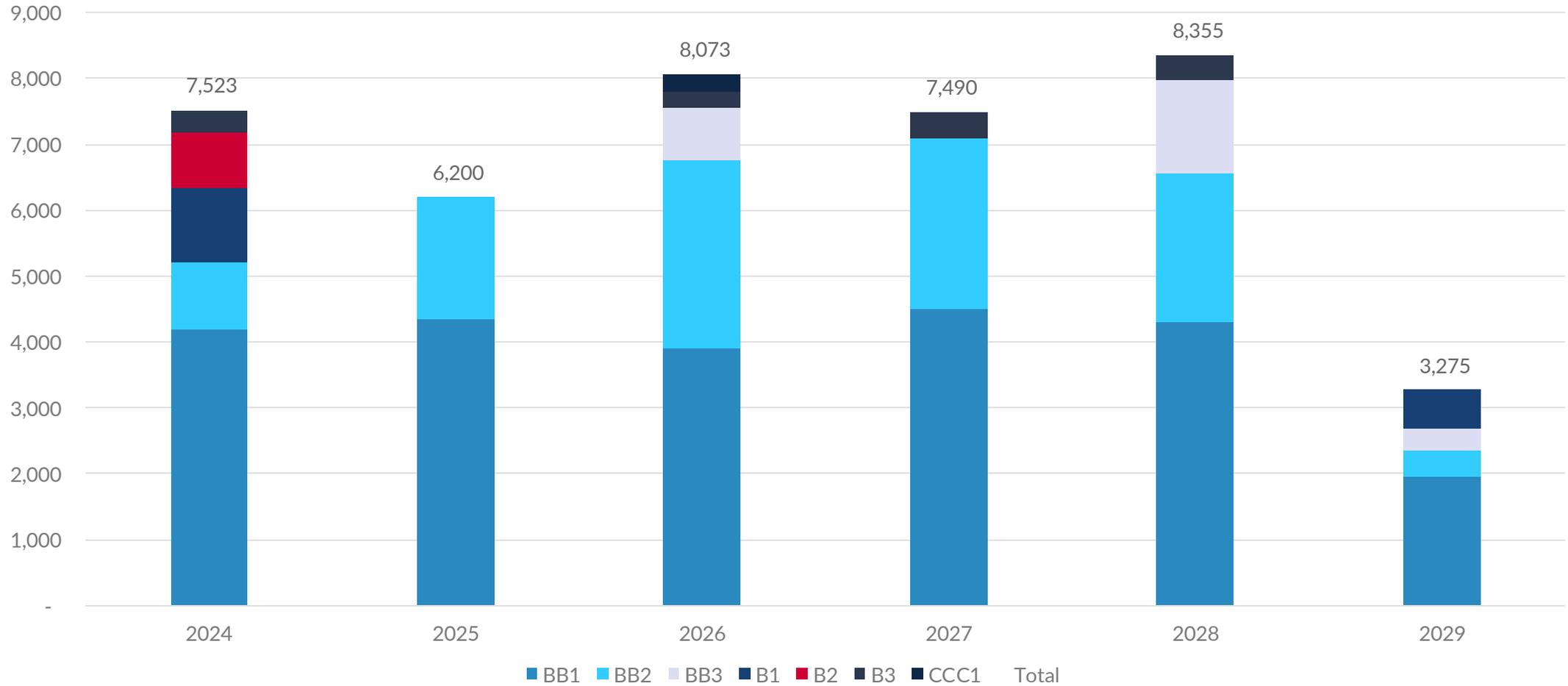


YoY Change in UHNW Wealth in 2022

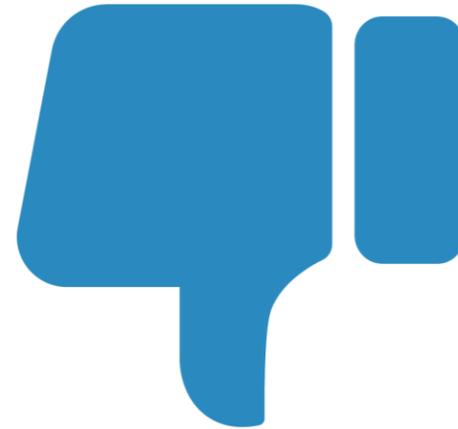


Most major wealth markets experienced falls in UHNW populations in 2022...

HY Automotive Maturity Wall



Picks & Pans



FORVIA
faurecia

PASUBIO
LEATHER

**Adler
Pelzer
Group**

SCHAEFFLER
IHOVERPIKs



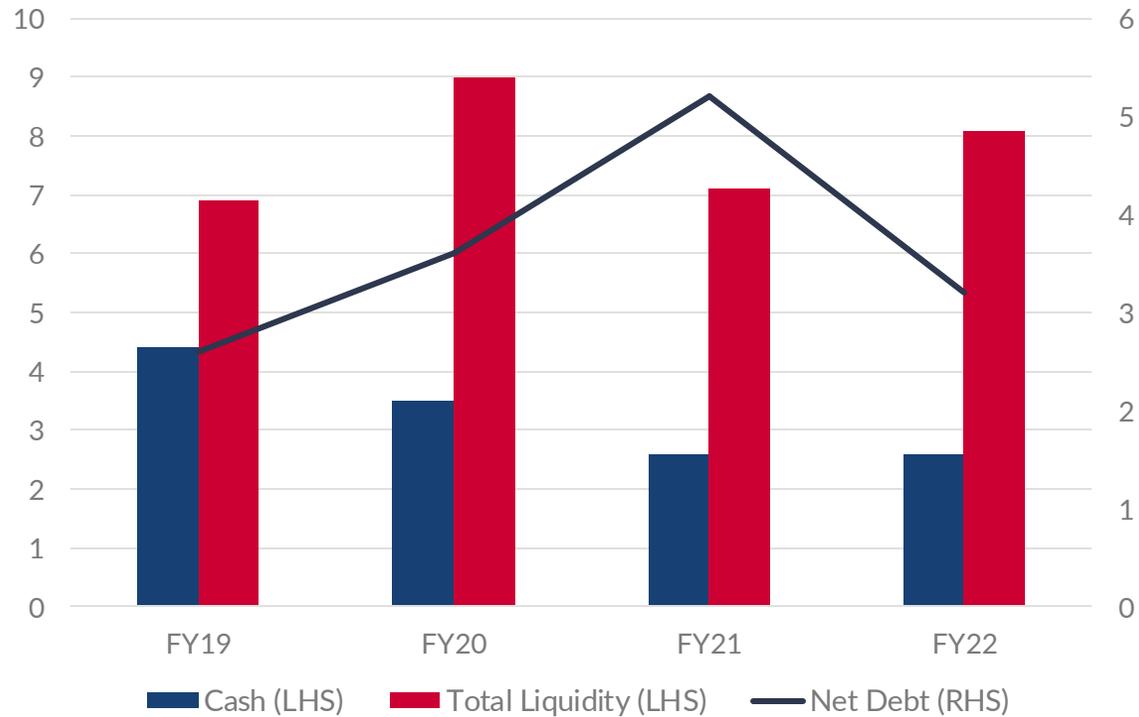
V O L V O



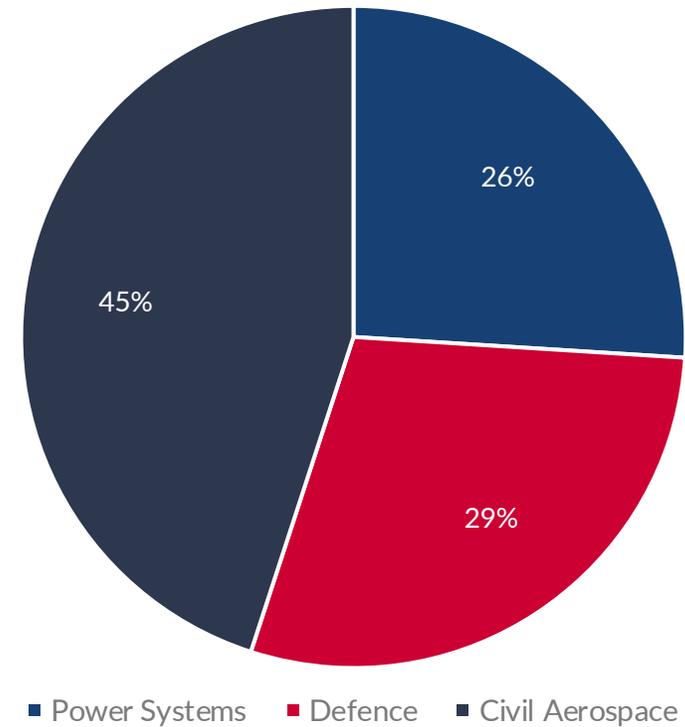
HY Industrials

Rolls-Royce to IG

Balance Sheet Strength

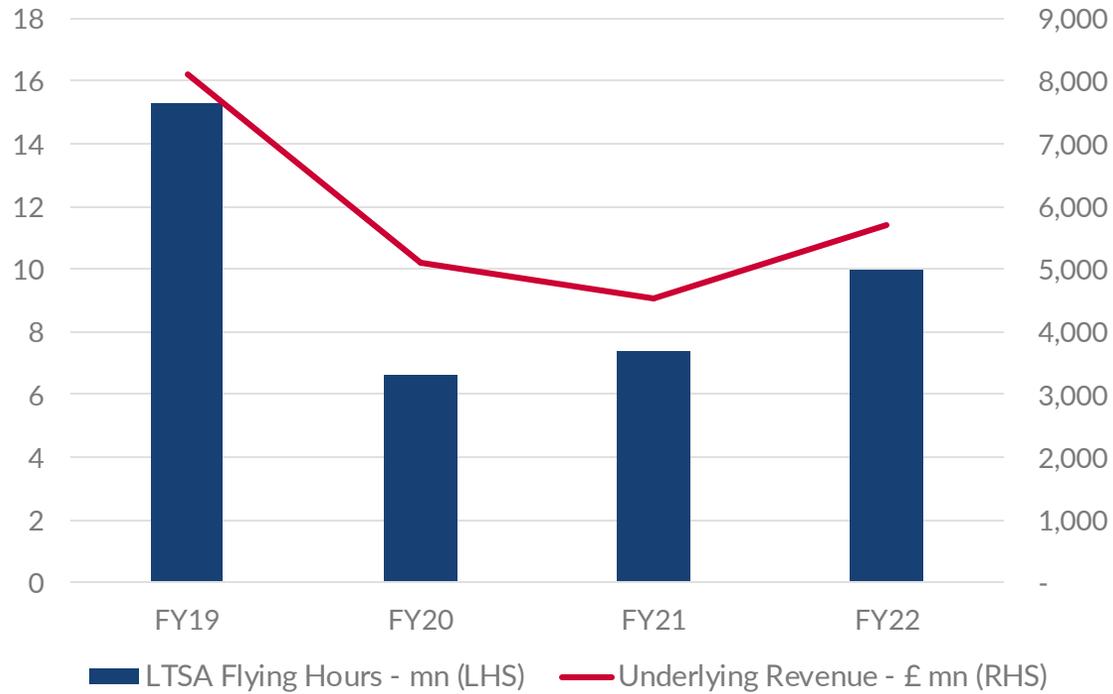


FY22 Rolls-Royce Revenue Mix by Segment

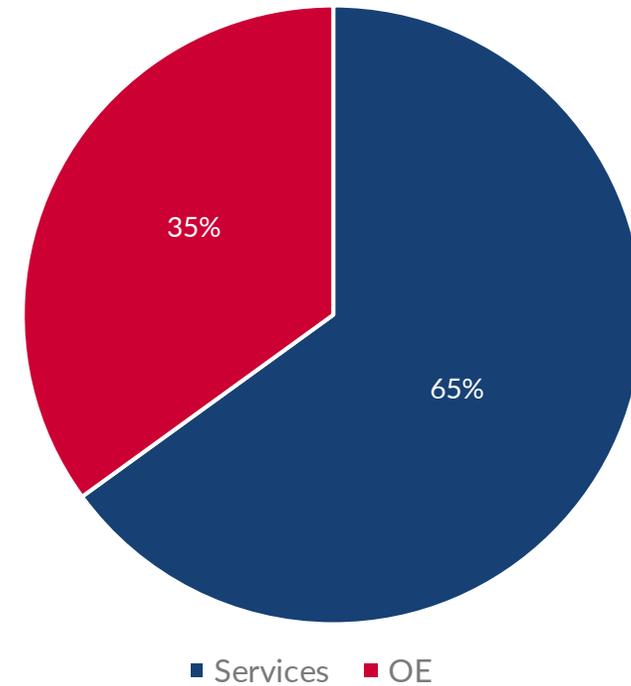


Supported by Civil Aero Recovery

LTSA Flying Hours and Underlying Revenue



FY22 Civil Aero Revenue Mix by Segment

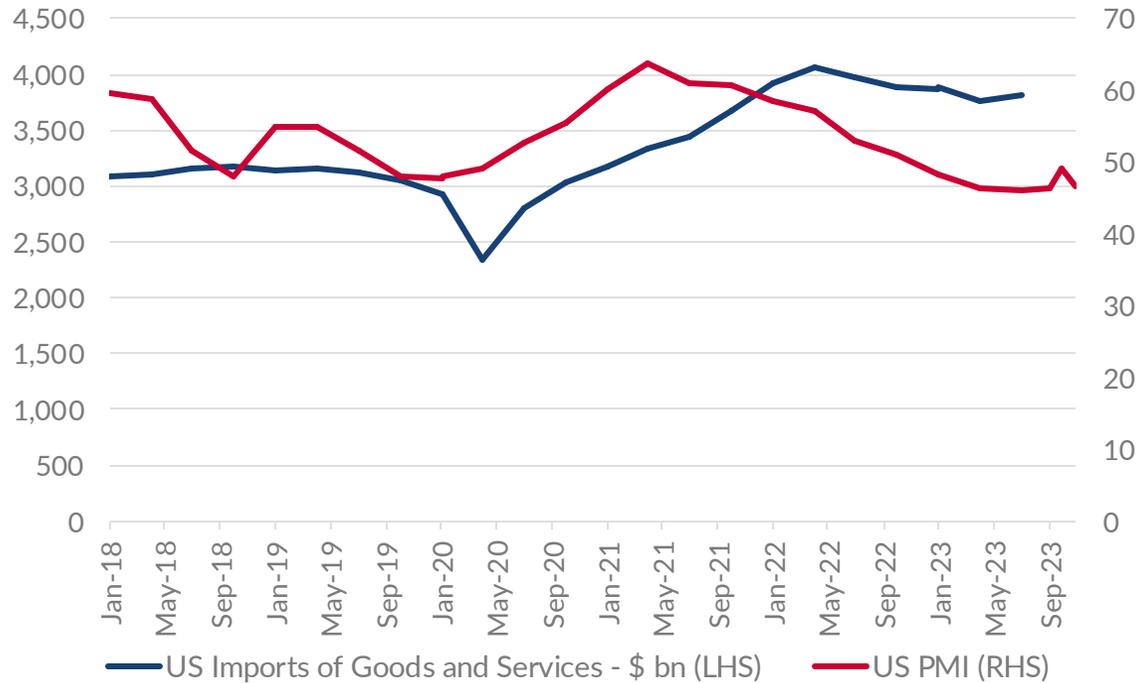


An aerial, high-angle photograph of a container ship's deck during sunset. The deck is densely packed with stacks of intermodal containers in various colors, including red, green, blue, and orange. The containers are arranged in neat rows, extending towards the horizon. The ship's mast and rigging are visible in the distance. The ocean is a deep blue, and the sky is a mix of orange and blue, indicating the time is either dawn or dusk. Several other container ships are visible in the distance on the horizon. The overall scene conveys a sense of global logistics and maritime transport.

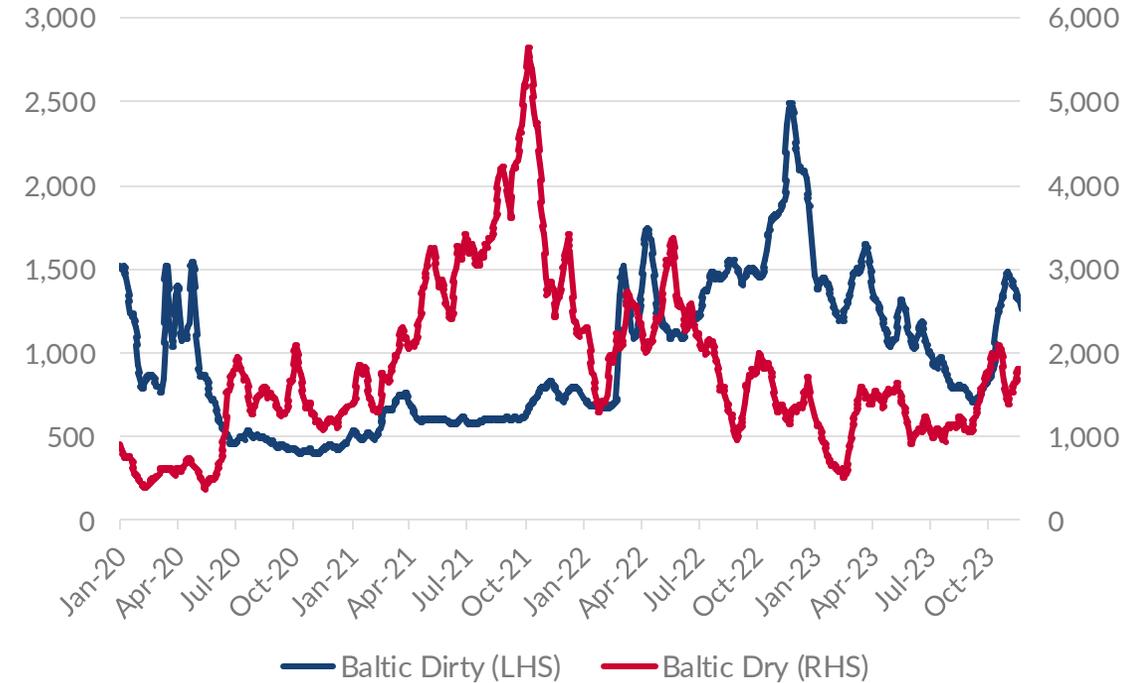
HY Transportation

Decelerating Momentum

US Imports vs US PMI



Baltic Dirty/Dry Freight Rates



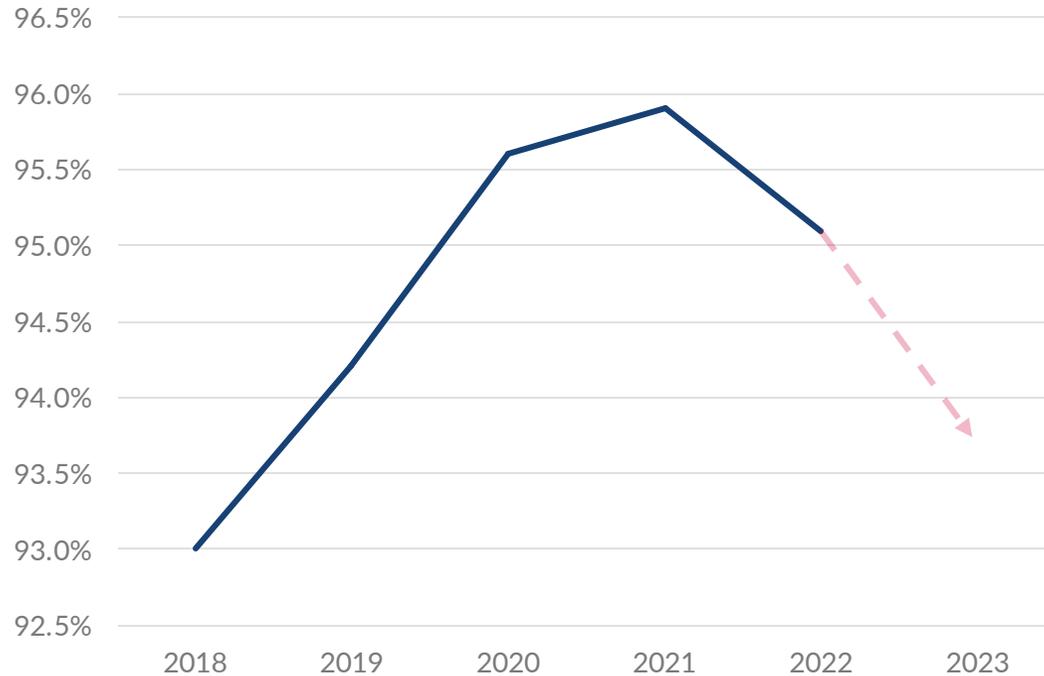
End of Bull Run for Container Shipping

Shanghai Container Index

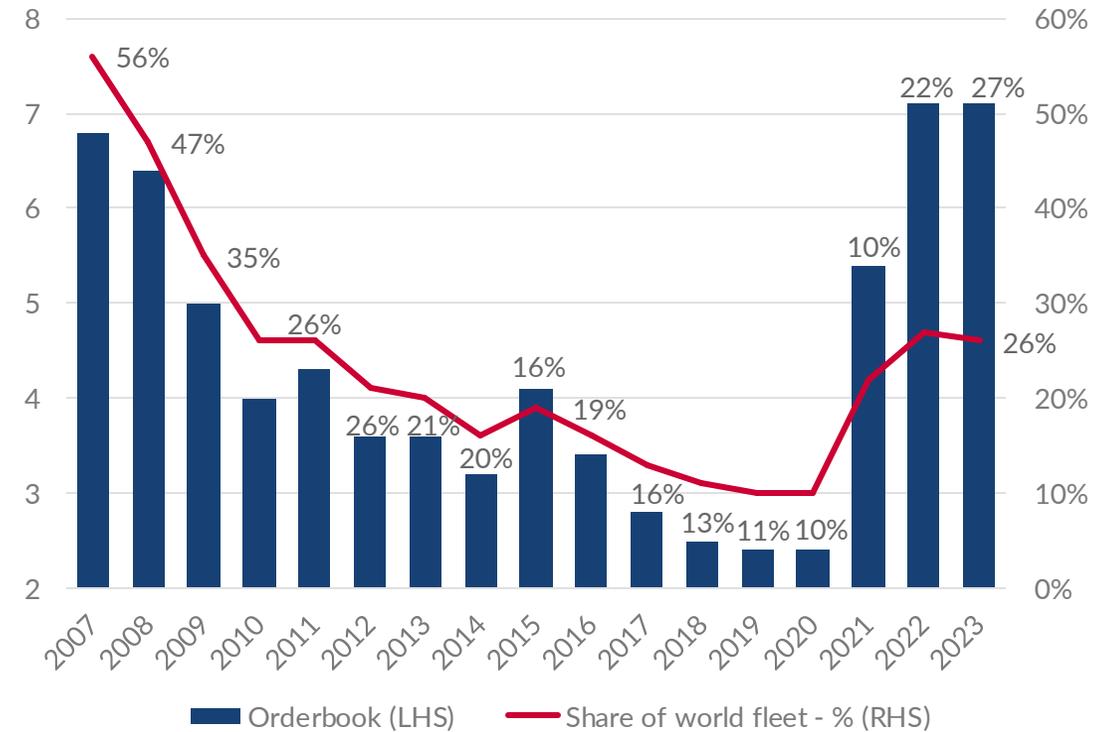


Downside Risks for Freight Cycle

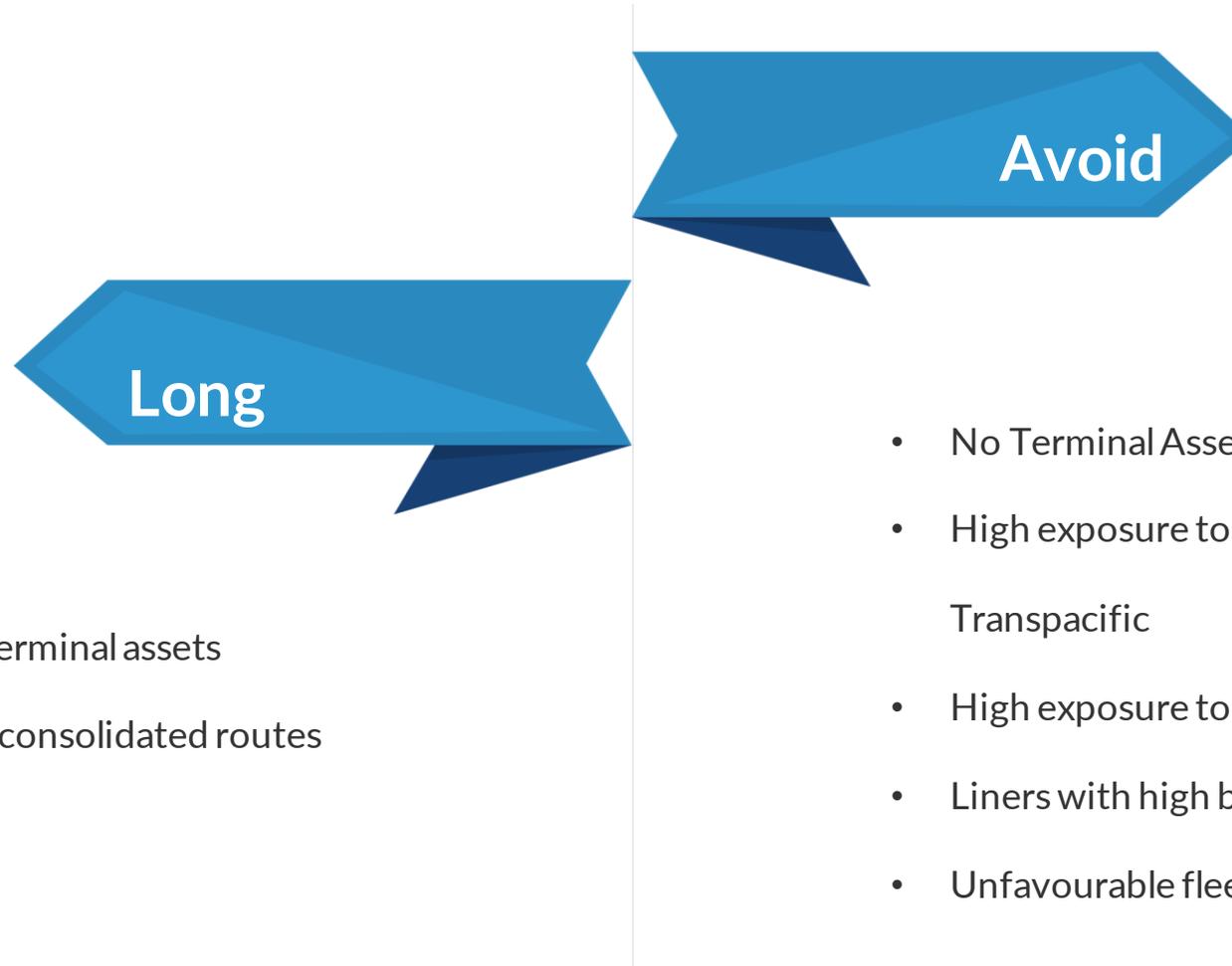
Hapag-Lloyd Utilization Rates



Order Book

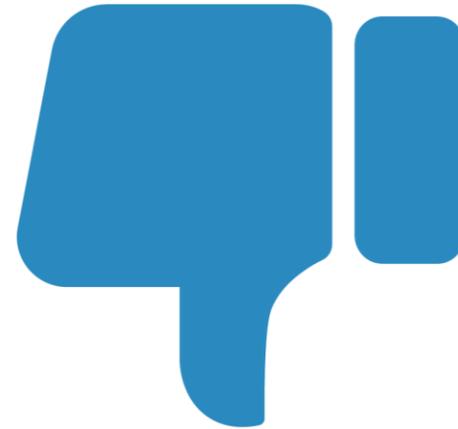


How do we want to Position?



- Operators with terminal assets
- Exposure to less consolidated routes

- No Terminal Assets or Logistics
- High exposure to East to West routes & Transpacific
- High exposure to spot rates
- Liners with high bunker costs
- Unfavourable fleet mix



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