

The Smithers Report

A News Digest of Activities in the Tire Industry

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WHAT'S NEW IN TIRES

Nokian Tyres shares business update related to crisis in Ukraine

Nokian Tyres, which manufactures tires in Finland, the US and Russia, said this week that it is following the situation in Ukraine with great sadness, hoping for a quick diplomatic solution. The tire maker reports its crisis management team meets daily and is preparing for different scenarios to manage its business in the affected areas. It is also monitoring the development of sanctions and potential counter-sanctions.

"We have activated our contingency plans to mitigate the financial and operational impacts to our business. For example, we are shipping tires closer to our customers, securing the raw material supply to our factories, transferring production of selected key product lines from Russia to Finland and to the US, and securing transport capacity from Russia with existing and new service providers. We continue to increase production in Finland and in the US. All Nokian Tyres' heavy tires are designed and manufactured in Finland. Tires for trucks and buses are designed in Finland and produced in the EU," the company said. Nokian's Russian operations are being impacted by transportation capacity availability, and lead-times have increased. Operations could be further impacted by raw material supply, it noted. As of March 8th, it has been able to fulfill the customer orders despite supply chain challenges.

Compliance with current sanctions requires that some of the company's customers and suppliers in Russia change their bank. In cross-border transactions, there are delays and volume is small, as the currency trading is not working normally, Nokian said.

The Finland-based tire maker has been operating in Ukraine since 2006, and reports it has relationships with Ukrainian colleagues and customers.

(Nokian Tyres – Nokia, Finland)

Michelin develops two custom tires for Ferrari's new 296 GTB

Michelin has been chosen by Italian luxury sports car maker Ferrari as an official tire supplier for its new 296 GTB. The French tire maker will supply two tires for the car, the Pilot Sport 4S K1 for predominantly road driving and the road legal Pilot Sport Cup 2R K2 for track use.

The "made-to-measure" tires for the Ferrari 296 GTB were jointly designed with Ferrari and are identified by the automaker's 'K' symbol on their sidewalls.

The two tires use a hybrid belt composed of aramid and nylon that results in optimal transmission of the driver's inputs. They also contain multi compounds and other technologies.

Sizes produced for the 296 GTB are 245/35ZR20 (95Y) XL TL Pilot Sport 4 S K1 for the front and 305/35ZR20 (107Y) XL TL Pilot Sport 4 S K1 for the rear or 245/35 ZR20 (95Y) XL TL Pilot Sport Cup 2 R K2 for the front and 305/35 ZR20 (107Y) XL TL Pilot Sport Cup 2 R K2 for the rear.

(Michelin – Clermont-Ferrand, France)

FINANCE

Despite climbing costs, Continental generates profit in 2021

Continental yesterday reported consolidated sales of €33.8 billion or \$37.1 billion (2020: €31.9 billion, +6.0 percent) for 2021. The company's adjusted EBIT for the year was €1.9 billion or about \$2.1 billion (2020: €1.4 billion, +37.7%) with an adjusted EBIT margin of 5.6% (2020: 4.4%). Its operating result reached €1.8 billion (2020: -€428 million) and net income reached €1.5 billion (2020: -€962 million, +€2.4 billion). The company proposed a dividend of €2.20 per share related to its annual results.

Continental said the year was characterized by "a persistently turbulent market environment." The coronavirus pandemic, low automotive production due to electronic component shortages as well as significant cost increases in the areas of procurement and logistics had a significant impact on its sales and earnings.

Expectations for Continental's fiscal 2022 include consolidated sales of around €38 billion to €40 billion; adjusted EBIT margin of around 5.5% to 6.5% – not including effects of the potential impact of the current geopolitical crisis.

Continental noted in the event that the geopolitical situation, in particular in Eastern Europe, remains tense or even worsens, it can result in lasting consequences for production, supply chains and demand.

Depending on the severity of the disruption, this may result in lower sales and earnings in all group sectors as well as for the Continental Group compared to the prior year.

Not including these risks, the automotive technology and tire maker expects global production of passenger cars and light commercial vehicles to increase by 6% to 9% in 2022. (In 2021, this increased year on year by only around 3% to approximately 77 million vehicles as a result of the semiconductor shortage.) The company also anticipates higher procurement and logistics costs of around €2.3 billion.

Continental expects 2022 consolidated sales of around €38 billion to €40 billion and an adjusted EBIT margin of around 5.5% to 6.5% for 2022 with business gradually improving following a subdued start to the year. For its tires group, Continental expects sales of between around €13.3 billion and €13.8 billion with an adjusted EBIT margin ranging between 13.5% and 14.5%.

(Continental - Hanover, Germany)

Nynas halts feedstock purchases from Russia

Nynas, a Swedish manufacturer of specialty naphthenic oils and bitumen products including tire and rubber oils, has halted purchase of feedstock from Russia as well as sales to customers in Russia and Belarus.

The Russian invasion of Ukraine has prompted Nynas to make the changes that went into effect last week and remain in effect until further notice.

Nynas says it has alternatives to Russian feedstocks, and will increase that part of its raw material supply.

At the same time, the company will also evaluate new suppliers.

(Nynas - Stockholm, Sweden)

Kraton announces price increase for HSBC polymers

Kraton Corporation, a producer of styrenic block copolymers, specialty polymers and high-value performance products derived from pine wood pulping co-products, has announced a price increase of \$440/MT for all Kraton HSBC polymers. The price increase is driven by recent significant cost increases in raw materials, energy and logistics costs.

Given the unprecedented increases for natural gas costs in Europe, additional energy surcharges will be applied to HSBC polymers produced at the company's plant in Berre, France.

Subject to the terms of any applicable contracts, the price increases and surcharges will take effect April 1, 2022.

Kraton's pine-based specialty products are sold into adhesive, road and construction and tire markets. It also produces and sells a broad range of performance chemicals into markets that include fuel additives, oilfield chemicals, coatings, metalworking fluids and lubricants, inks and mining.

(Kraton Corp. - Houston, TX)

RELATED MATTERS

Halo Connect 2.0 tire management system now available from Aperia Technologies

Tire management technology provider Aperia Technologies launched Halo Connect 2.0, an update of its tire management platform, at the TMC Annual Meeting for the trucking industry held in Orlando, Florida this week.

Halo Connect allows fleets to reduce unplanned tire-related downtime, reduce tire costs per mile by pairing machine learning with active inflation, its maker said. Powered by more than 50 billion miles of real-world fleet tire data, Halo Connect's tire analytics engine uses machine learning to characterize the many variables that affect and inform tire-related maintenance and strategic decisions. The system enables fleets to use a proactive service model that optimizes uptime and tire maintenance cost, Aperia said.

Halo Connect works with all wheel positions and in tandem with Halo Tire Inflator, an easy-to-install automatic tire inflation system for trucks and trailers. The platform is compatible with all vehicle makes and models, and is available through major OEMs, a network of partners, and directly from Aperia. Halo Connect 2.0 can be purchased as an asset or as a subscription service.

(Aperia Technologies – Burlingame, CA)

VEHICLE INDUSTRY NEWS

Volvo begins testing of wireless EV charging

Volvo Cars has begun testing a new wireless charging technology in a live city environment together with selected partners. The trial will help the company evaluate the use of wireless charging for its future electric cars.

Over a three-year period, a small fleet of fully electric Volvo XC40 Recharge cars will be used as taxis by Cabonline, a taxi operator in the Nordic region, and charged wirelessly at stations in Gothenburg, Sweden. The wireless charging test is part of the strategic initiative Gothenburg Green City Zone, under which designated areas of the city are used as live testbeds for the development of sustainable technologies. The charging station sends energy through the charging pad, which is picked up by a receiver unit in the car. To easily align the car with the charging pad, Volvo Cars will use its 360-degree camera system. For the fully electric XC40 Recharge cars, the wireless charging power will be more than 40 kW, making the charging speeds around four times faster than a wired 11 kW AC charger and almost as fast as a wired 50 kW DC fast charger.

The Volvo cars will be used for more than 12 hours a day and drive 100,000 km per year, which will test the durability of the EVs in a commercial usage scenario, the company said.

Other partners involved in the wireless charging project include Swedish energy company Vattenfall and its charging network InCharge, the city energy company Göteborg Energi, and Business Region Gothenburg, a municipal economic development agency owned by the city of Gothenburg.

(Volvo Cars – Gothenburg, Sweden)

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