SUPPLIERS

Cold summer sweats

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An uninspiring results season and the UAW strikes have raised familiar worries for suppliers. But with shares down 11% since July and the strikes' impact overestimated, in our view, we see the pull back as an opportunity. Top picks in Europe remain Conti, Forvia, Valeo and Autoliv – All O/P rated.

What's on your mind? We discuss the top 10 debates we are having with investors

One year after our A midsummer Suppliers' dream report we offer our views on the hottest summer debates we are having with investors on suppliers. The UAW strikes are on everyone's mind, but our analysis shows that most suppliers should be in a position to meet their guidance under most scenarios, making the 11% sell-off in suppliers shares since July feel overdone. To help investors navigate the chaotic newsflow of the upcoming weeks, we created a tool that predicts the impact on suppliers of different strike severities - Let us know if you would like to have a look. We also show that the positive GLVP revisions this year have been driven largely by Chinese carmakers, explaining why these have not led to guidance upgrades for suppliers. In the report you will also find a summary of the pricing negotiations commentary, an overview of H1 order intake alongside an explanation of why this should translate into higher growth and margins (this time), an update on suppliers' exposure to Chinese carmakers, and a health check on tyres' volumes and pricing outlook for 2023e.

Road to volumes recovery intact, we maintain our preference for Suppliers

As we argued in our The Highway to 100 (m units) report we see a synchronized recovery in volumes across Europe, North America and China leading to a new production peak of 100m by '27e. A global fleet in dire need of replacement, a replacement wave in China, and global governments subsidies to support BEV adoption, should all continue to support higher than expected growth in volumes.

Our preference stays for suppliers, but tyres could be a place to hide amongst UAW chaos

Based on our positive cycle view, we maintain a preference for suppliers who should continue to benefit from volume momentum and catch-up on pricing. We like Conti (+), Forvia (+), Valeo (+) and Autoliv (+). In the short term Pirelli (+) could also provide investors with defensive qualities to navigate the UAW strikes, coupled with a valuation catch-up opportunity. Our estimates, ratings and TPs are unchanged.

Key valuation metrics

	Stock Rating	Price (LC)	TP / Upside		Mkt cap (EURm)	P/E (x) CY23e	CY24e	EV/EBITA (x) CY23e	CY24e	ESG Rating
Autoliv	(+)	93.0	125.0	34%	6,811	12.0	7.4	9.8	6.8	Leader
Continental	(+)	65.8	90.0	37%	13,161	7.7	6.6	7.9	6.2	Laggard
Dowlais Group	(-)	1.1	1.15	7%	1,758	6.1	4.6	10.1	8.2	
Forvia	(+)	19.6	32.0	63%	3,863	12.7	5.1	11.1	7.6	Leader
Michelin	(-)	28.5	25.0	-12%	20,420	8.3	9.3	7.4	7.4	Leader
Nokian Renkaat	(-)	7.9	7.5	-5%	1,096	22.6	15.7	14.7	12.5	Average
Pirelli	(+)	4.5	6.0	32%	4,546	8.1	6.7	6.8	5.8	Average
Plastic Omnium	(=)	16.5	20.0	21%	2,376	9.6	6.4	9.2	6.1	Average
Valeo	(+)	17.9	28.0	56%	4,322	15.3	6.3	13.3	7.5	Average
Vitesco	(=)	74.8	75.0	0%	2,994	31.6	8.9	15.6	7.1	Average

Prices at 18 August 2023

**** Date and time (London Time) on which the investment recommendation was finalised. It may differ from the date and time of broad dissemination on the website. See Appendix (on p40) for Analyst Certification, Important Disclosures and Non-US Research Analyst disclosures.***

Contents

BNPP Exane order of stock preference ____ 3

Investment summary ____ 4

Hot topics of the moment and some perspectives ____ 4

Suppliers' order of preference ____ 6

Long-term ____ 6

Suppliers post-view reports ____ 8

European suppliers ____ 8

US suppliers ____ 8

What's on your mind? ____ 9

1. A disappointing Q2 reporting season, what did we learn? ____ 9
2. Upgrades to GLVP have not led to material guidance upgrades, why? ____ 12
3. Mind the gap: Bridging the FY targets, who is most at risk? ____ 14
4. UAW negotiations – How worried should you be? ____ 16
5. What's the latest on pricing negotiations? ____ 22
6. Shouldn't pricing get tougher as competition increases? ____ 23
7. Order intake said to be at healthy levels of margins, is it credible? ____ 25
8. Chinese OEMs on the rise, how are suppliers positioned? ____ 27
9. All tyremakers downgraded volumes guidance, what's next? ____ 28
10. Tyremakers pricing holding up, temporary or structural? ____ 30

Latest updates on production ____ 31

Production Tables ____ 34

Summary of Valuation of European and US suppliers ____ 38

Summary of BNPP Exane Estimates vs. Consensus ____ 39

BNPP Exane order of stock preference

Figure 1: BNPP Exane order of stock preference

BNP PARIBAS EXANE			TARGET PRICE	UPSIDE	PE		PERFORMANCE				ANALYST
					2023E	2024E	-1M	-3M	-12M	YTD	
OUTPERFORM	PARTS	VALEO	28.0	56%	15.4x	6.3x	-14%	-2%	-10%	9%	Giulio Pescatore
OUTPERFORM	PARTS	AUTOLIV**	125.0	36%	11.8x	7.4x	0%	7%	14%	21%	Giulio Pescatore
OUTPERFORM	TYRE/ PARTS	CONTINENTAL	90.0	36%	7.7x	6.6x	-5%	-2%	5%	20%	Giulio Pescatore
OUTPERFORM	TYRE	PIRELLI	6.0	32%	10.0x	7.9x	1%	-2%	14%	18%	Giulio Pescatore
OUTPERFORM	PARTS	Forvia	32.0	62%	12.8x	5.1x	-18%	-3%	23%	40%	Giulio Pescatore
OUTPERFORM	OEM	BMW	129.0	30%	5.8x	6.3x	-7%	-1%	36%	26%	Dorothee Cresswell
OUTPERFORM	OEM	VOLVO CARS*	63.0	37%	10.2x	7.3x	-4%	26%	-39%	-3%	Dorothee Cresswell
OUTPERFORM	-	FERRARI	315.0	11%	42.1x	35.3x	-3%	5%	39%	43%	Giulio Pescatore
NEUTRAL	OEM	MERCEDES	84.0	24%	4.9x	5.4x	-7%	-1%	19%	16%	Dorothee Cresswell
NEUTRAL	PARTS	PLASTIC OMNIUM	20.0	22%	9.5x	6.4x	-5%	4%	-13%	23%	Giulio Pescatore
NEUTRAL	OEM	STELLANTIS	19.0	15%	2.6x	3.2x	-1%	11%	21%	34%	Dorothee Cresswell
NEUTRAL	OEM	RENAULT	40.0	9%	3.1x	4.2x	-4%	13%	23%	18%	Dorothee Cresswell
NEUTRAL	-	PORSCHE SE	58.0	17%	2.7x	3.4x	-7%	0%	-26%	0%	Dorothee Cresswell
NEUTRAL	PARTS	VITESCO	75.0	-3%	32.8x	9.2x	3%	31%	48%	43%	Giulio Pescatore
NEUTRAL	OEM	PORSCHE AG	116.0	11%	17.7x	17.5x	-9%	-7%	NA	11%	Dorothee Cresswell
UNDERPERFORM	PARTS	SCHAEFFLER	6.5	19%	5.3x	5.0x	-2%	-10%	2%	-10%	Sebastian Growe
UNDERPERFORM	TYRE	NOKIAN TYRES	7.5	-5%	22.6x	15.7x	-4%	-7%	-23%	-15%	Giulio Pescatore
UNDERPERFORM	OEM	VW (PREF)	122.0	6%	3.5x	4.4x	-6%	-2%	-5%	4%	Dorothee Cresswell
UNDERPERFORM	OEM	VW (ORDS)	153.0	14%	4.1x	5.2x	-10%	-7%	-19%	-5%	Dorothee Cresswell
UNDERPERFORM	PARTS	DOWLAIS	1.13	2%	6.3x	4.7x	-6%	-14%	NA	-6%	Giulio Pescatore
UNDERPERFORM	TYRE	MICHELIN	25.0	-12%	8.9x	10.1x	5%	4%	13%	14%	Giulio Pescatore
UNDERPERFORM	OEM	TESLA	130.0	-41%	71.5x	51.7x	-25%	26%	-28%	78%	Stuart Pearson
OTHER AUTO STOCKS											
+		RHEINMETALL	300.0	21%	19.0x	12.7x	-2%	-5%	43%	35%	Sebastian Growe
+		BREMBO	18.0	40%	12.5x	10.3x	-1%	-9%	28%	25%	Michele Baldelli
=		CIE AUTO	26.5	-1%	9.6x	8.5x	0%	-3%	8%	15%	Francisco Ruiz
+		GESTAMP	6.0	46%	7.0x	4.9x	-6%	3%	7%	17%	Francisco Ruiz
+		EUROGROUP	7.3	36%	21.5x	12.4x	1%	-9%	NA	-3%	Michele Baldelli

* SEK. ** USD. All other stocks in Euro

Source: BNP Paribas Exane estimates

Investment summary

Hot topics of the moment and some perspectives

1) A disappointing Q2 reporting season, what did we learn? *See 9*

Our view: The lack of material positive surprises across suppliers despite higher and more stable production levels disappointed the market in Q2. We believe that this denotes just how sensitive margins remain to the development of pricing, something that is unlikely to change in H2. Tyremakers on the other hand saw in-line results but negative revision into 2023e led by lower replacement assumptions.

2) Upgrades to GLVP not leading to material guidance upgrades, why? *See 12*

Our view: Despite a lukewarm performance of their local market, Chinese carmakers have so far this year led the positive volume revisions. Changan, Chery and SAIC are the three best performing carmakers this year as measured by surprise to volumes expectations. The largest Chinese carmakers saw on average 13% positive volumes revisions vs. a market average of 2.4%. This rapidly changing market share dynamics, alongside a healthy degree of conservatism and worsening FX conditions explain, in our view, the lack of material upgrades to the 2023e targets of most European suppliers.

3) Mind the gap: Bridging the FY targets, who is most at risk? *See 14*

Our view: Most suppliers are aiming for a steep margin step-up in H2 in order to achieve their guidance. The largest increase is currently implied by Conti's Auto segment with its target of 2-3% implying at the mid-point a 470bps step-up in H2. In second place we found Autoliv with a 410bps improvement, while the step up is lowest for POM and Valeo. R&D reimbursement and higher pricing should support this increase, which we continue to see as achievable for most players even after considering a prolonged UAW strike.

4) UAW strikes – what's the risk for suppliers? *See 16*

Our view: Our analysis shows that the impact of the strikes should be manageable overall. Pre-production should make up for the expected volumes loss in Q3 and while the impact for Q4 will depend on the length and scope of the strikes, most European suppliers should be able to reach their guidance at least at the lower end of the range. We have developed a tool to help you navigate the newsflow chaos of the coming weeks, if you would like to see it **let us know**.

5) What's the latest on pricing negotiations? *See 22*

Our view: Whether suppliers would be able to achieve the necessary level of pricing to hit their guidance has been a key debate amongst investors this year. We feel that the positive commentary during Q2 results should have settled this issue. Most companies have either concluded or are close to concluding all pricing negotiation and the level of pricing achieved has so far been satisfactory according to most companies.

6) Shouldn't pricing get tougher as competition increases? *See 23*

Our view: Suppliers' pricing should continue to have relatively low correlation with the OEMs' pricing, in our view, especially in the short term. We continue to see suppliers as price takers in the long-term and we expect the debate to soon return to the competitiveness of products and other exogenous factors such as production volumes, customer mix and market concentration.

7) Order intake said to be at healthy levels of margins, is it credible? *See 25*

Our view: Order intake continues to surprise positively for the largest suppliers. We see these record orders as credible, this time, being based on conservative GLVP assumptions. We also see reasons to believe that this new wave of orders should lead to margin improvement as new technologies finally mature and scale-up.

8) Chinese OEMs on the rise, how are suppliers positioned? *See* *27*

Our view: As Chinese carmakers continue to grow their international presence, we expect them to rely more on international suppliers who have the quality and the footprint to help them in this expansion. We see the position of Forvia and Autoliv with Chinese carmakers as relatively attractive. We see verticals like ADAS and powertrain, where local competition is fierce and insourcing higher, harder to crack and for this reason, we see the position of Valeo, Conti and Vitesco as relatively more difficult.

9) All tyremakers downgraded their volumes guidance, what's next? *See* *28*

Our view: Tyremakers' Q2 results season played out mostly in-line with expectations with pricing holding up and offsetting a weaker volumes development. All key players downgraded their volumes expectations for the year and we don't see scope for a rebound in volumes as long as pricing remains at the current extremely elevated level.

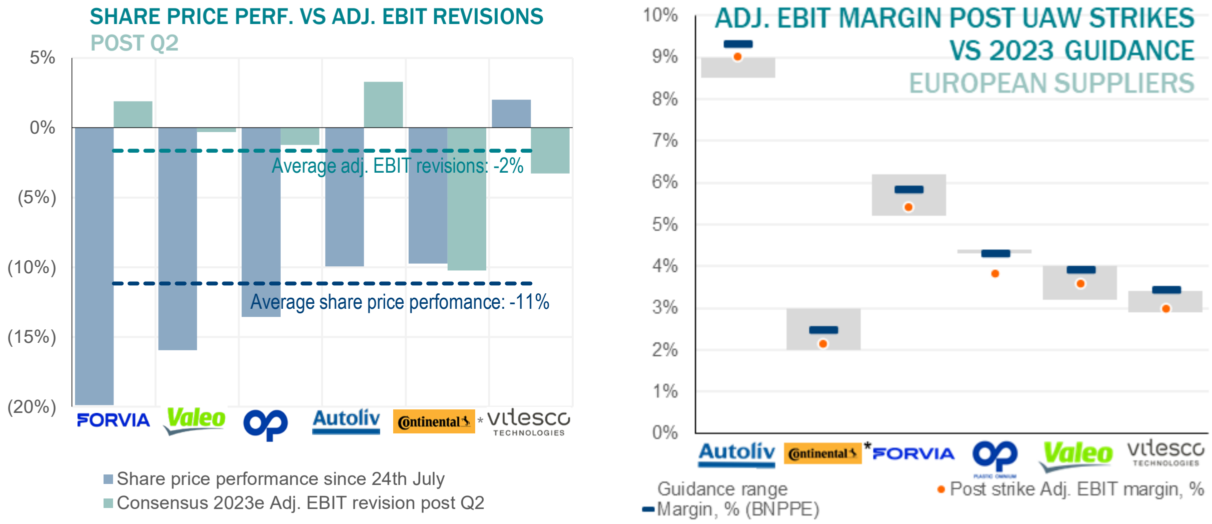
10) Tyremakers pricing holding up, temporary or structural? *See* *30*

Our view: The current stand-off between dealers unwilling to order new inventories at the current pricing level and tyremakers unwilling to lower prices will inevitably be broken, in our view, by a widespread decrease in prices. Inflationary cycles have happened in the past and there is no historical evidence suggesting that tyremakers are able to hold on to price increases in a deflationary environment. We expect pricing to turn negative in Q4 due to the impact of indexation mechanism on the OE business, and continue to decrease in 2024e as replacement pricing begins to weaken.

Figure 2: Buy the dip? We see limited downside risk linked to the UAW strikes creating a buying opportunity after the recent post-Q2 sell-off

Suppliers' shares came under pressure after an uninspiring Q2 season and due to the risks linked to the UAW strikes

But with limited negative consensus revisions and the risks linked to the strikes overdone we see a buying opportunity



*Source: BNP Paribas Exane estimates, Refinitiv ; * Continental Automotive business only, except for share price*

Suppliers' order of preference

Short term outperformers

– **Continental (+; TP EUR90):** After the disappointing Q2 results we find expectations for Conti considerably derisked. We continue to expect the company to reach its automotive guidance for 2023e. In the mid-term we see the turnaround of the Automotive business as the main driver of the investment case, and we see a return to the 6-8% margin corridor as achievable given the order intake momentum of the last few years. Tires provide some defensive characteristics into the uncertainty created by the UAW negotiations, while a CMD planned wither in Q4'23 or Q1'24 could see the company announcing plans to spin-off ContiTech and turn into a catalyst for a re-rating. At our EUR90 TP Conti trades on a 7.7x EV/adj. EBIT for 2024e.

For our latest research on Continental please see: CONTINENTAL: Parts Master

– **Pirelli (+; TP EUR6.0):** We see Pirelli's defensive characteristics as attractive for investors as we navigate the volatility linked to the upcoming UAW strikes. At the same time, we continue to like the structural resilience offered by Pirelli's exposure to the premium market and the potential for market share gains in the BEV market. With the new directors of the firm nominated and the renewal of the shareholder agreement completed we see potential for a re-rating in the shares, which now trade on a 6.2x EV/adj. EBIT for 2024e, a ~40% discount to historical average valuation.

For on our latest thoughts Pirelli please see: PIRELLI: Better every quarter

Long-term

– **Autoliv (+; TP USD125):** is perhaps the clearest story in the sector. With best-in-class margins and a market leading position in the technology agnostic passive safety business where it boasts a 45% global market share (2023e), we see Autoliv as the safest way to play the GLVP recovery theme. The company ticks all the boxes for us: i) We see 12/14% upside to consensus adj. EBIT on 2023/24e; ii) We expect an acceleration of the USD1.5bn buyback program with USD550m (~10% of market cap) potentially bought in H2; iii) Growing exposure to Chinese carmakers accounting for 25% of sales in China in 2022 but 51% of orderbook; and iv) Attractive valuation, trading at 6.7x EV/EBIT on our 2024 estimates, a c.40% discount to the historical multiple of ~11x.

For our latest research on Autoliv please see: AUTOLIV: Time to buckle up

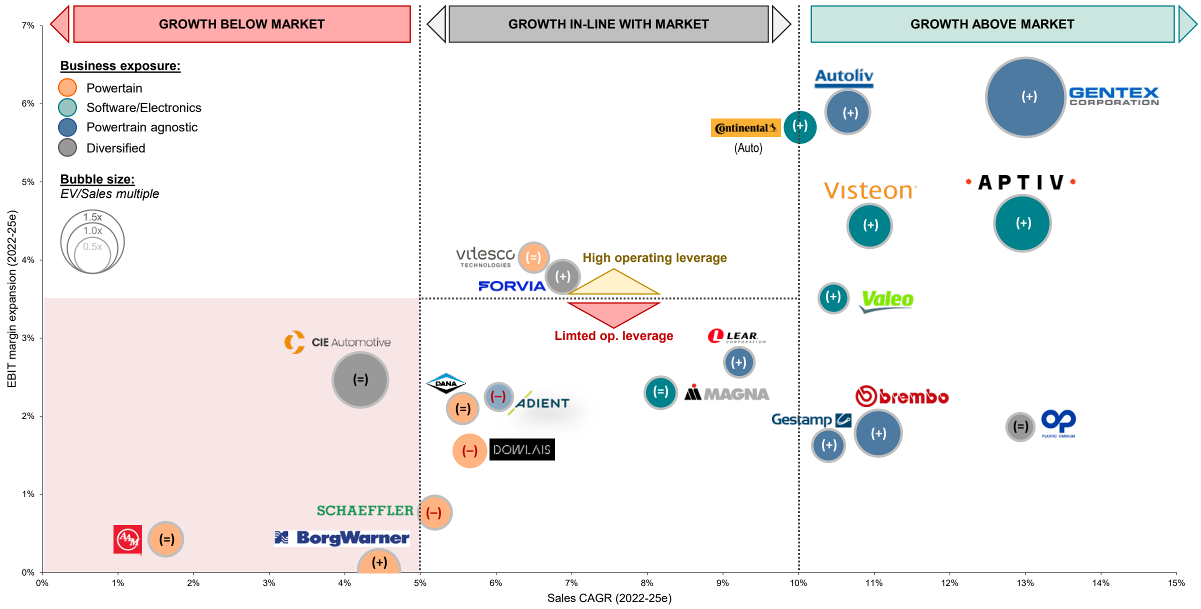
– **Forvia (+; TP EUR32):** is the name with the highest gearing into a GLVP recovery due to its elevated financial leverage. The company's execution has been spotless lately with sequential improvements in margins supported by the synergies generated by the integration of Hella and accelerating outperformance. Part of the appeal of Forvia's story is the close relation with the winners of the BEV race: Tesla and BYD. We see leverage dropping to ~2.1x in 2023e and ~1.7x in 2024e, with a net debt reduction supported by divestments worth EUR1.0bn to be cashed-in in 2023e and cumulative cash generation of ~EUR2.0 by 2026e, equivalent to ~40% of current market cap.

For our latest research on Forvia please see: FORVIA: Weathering the storm

– **Valeo (+; TP EUR28):** remains our top-pick for now. We see the company continuing to benefit from significant demand for its ADAS business which should translate into best-in-class outperformance and margin expansion in the mid-term. We also expect the other businesses of Valeo to begin to positively contribute to growth with new start of production (SoP) in Lighting and the acceleration in the electric powertrain business. We see Valeo's cash generation improving from 2023e, after years of overinvestment. The market remains highly sceptical about the competitiveness of Valeo's technologies and of the ability of the management team to achieve its mid-term targets.

For our latest research on Valeo please see: VALEO: The thrill is on

Figure 3: Our preference framework within our Auto Suppliers universe



Source: BNP Paribas Exane estimates

Suppliers post-view reports

European suppliers

1) VITESCO: Q2'23: Making it look easy
2) CONTINENTAL: Q2'23: Can it be done? We think so
3) PIRELLI: Q2'23: Better every quarter
4) VALEO: H1'23: Growth at a high cost
5) FORVIA: H1'23: All hands on debt
6) MICHELIN: H1'23: An upgrade without upgrades
7) PLASTIC OMNIUM: H1'23: Light is the way
8) NOKIAN RENKAAT: Q2'23: Heavy (tyres) pressure
9) AUTOLIV: Confidence boost

US suppliers

10) AMERICAN AXLE: Grinding, Scraping, Clawing
11) MAGNA INTERNATIONAL: Stay Tuned for Another Month
12) VISTEON: Guidance Raise - Stealth Edition
13) GOODYEAR: That Old, Familiar Feeling
14) ADIENT: Not the New Normal
15) BORGWARNER: Built for Both Speed & Comfort
16) APTIV: Prime Time
17) LEAR: E-Systems' Time to Shine
18) GENTEX: Mojo Vibe is Back
19) DANA: Big e-Beam Energy

What's on your mind?

1. A disappointing Q2 reporting season, what did we learn?

A disappointing Q2 for suppliers, pricing central to performance

With a GLVP Q2 growth forecast being consistently upgraded during the last quarter from +12% in March to +17% in August (+4.2% in units term), the expectation was for a strong quarter for suppliers. In practice, however, the material GLVP upgrades only led to an average 2.4% topline beat and a 30bps EBIT margin beat, which was often not enough to support share prices on results day.

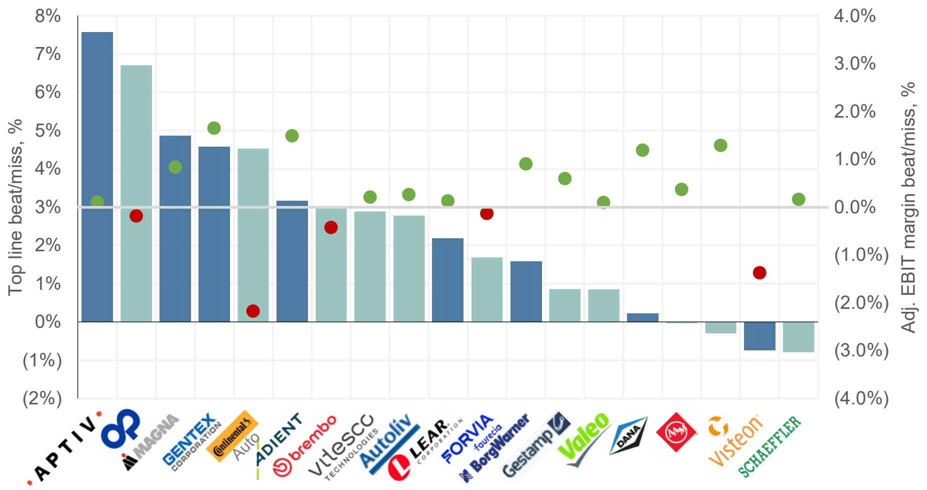
The outcome of pricing negotiations was still the major driver of topline and margin surprises in Q2. And should remain in H2 as well with pricing key for suppliers in order to achieve their guidance for the year. The lack of the expected positive contribution from pricing led for example to disappointments for Conti and Valeo at the margin level.

We also noted a very limited correlation between topline and margin beats suggesting very limited operating leverage on the incremental volumes. Companies justified the lack of operating leverage with FX headwinds, rising costs and still elevated supply chain volatility particularly in Q1.

Looking ahead, the disappointing Q2 results season led to limited positive consensus revisions for 2023e. We saw on average a 0.9% revision on topline and virtually no revisions on operating margins.

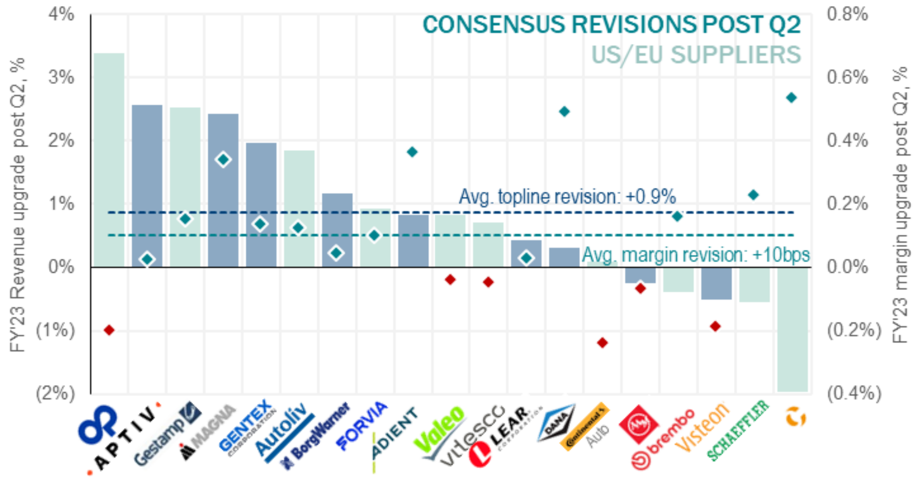
We also saw some negative revisions especially on the margin side which in some cases were compensated by higher topline (CIE), but in others led to quite material downgrades like in the case of Conti's Automotive business which saw a ~10% adj. EBIT cut following the disappointing Q2 margin.

Figure 4: Suppliers: Beats on topline not followed by material margins surprises



Source: BNP Paribas Exane estimates, company data, Visible Alpha

Figure 5: Suppliers: Limited upgrades after Q2 especially on the margin



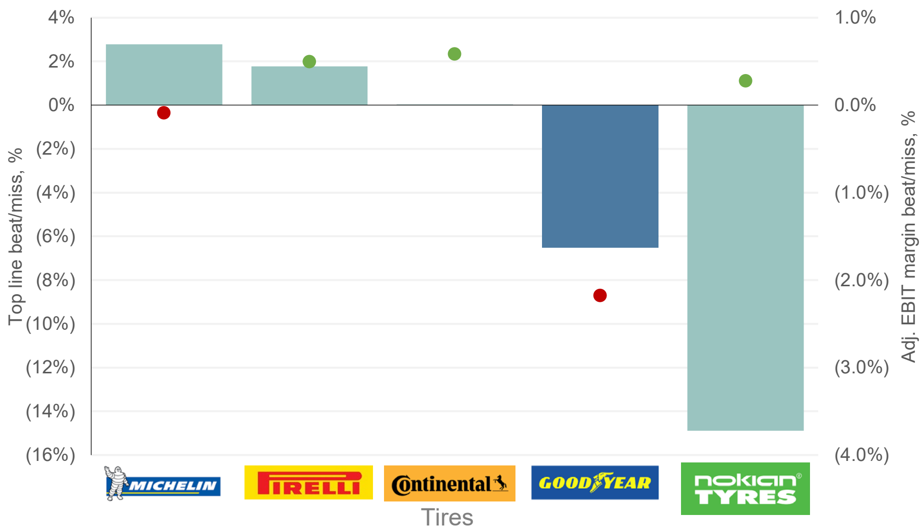
Source: BNP Paribas Exane estimates, Visible Alpha

An in-line Q2 for tyremakers, but negative topline revisions for 2023e

Moving to tyremakers we saw a Q2 reporting season characterized with largely in-line prints both at the topline and margin level. The notable exception was Goodyear which continued to underperform peers due to worse than expected contribution from price/mix. Nokian also disappointed but we find consensus as hard to read for this name given the changes in business following the exit from Russia.

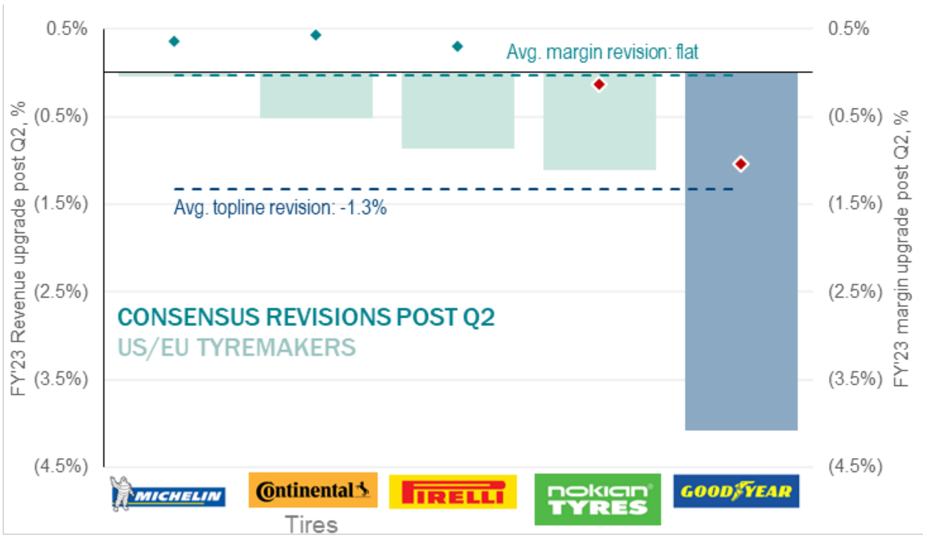
Despite in-line results we saw consensus downgrading its FY estimates at the topline level to reflect worse than expected volumes expectations and some concerns on pricing as we head into the second half of the year.

Figure 6: Tyres: A broadly in-line results season



Source: BNP Paribas Exane estimates, company data, Visible Alpha

Figure 7: Tyres: Topline downgrades and margins broadly unchanged



Source: BNP Paribas Exane estimates, Visible Alpha

Figure 8: Q2: Summary of beats and misses for EU/US Suppliers and Tyres

Figures in millions

		Revenue			Adj. EBIT			Adj. EBIT margin, %		
Suppliers		**Q2-23**	**VA cons.**	**Beat/miss**	**Q2-23**	**VA cons.**	**Beat/miss**	**Q2-23**	**VA cons.**	**Beat/miss**
Adient	USD	4,055	3,931	3.2%	195	130	49.5%	4.8%	3.3%	1.5%
American Axle	USD	1,571	1,571	(0.0%)	66	60	9.5%	4.2%	3.8%	0.4%
Aptiv	USD	5,200	4,834	7.6%	530	487	8.7%	10.2%	10.1%	0.1%
Autoliv	USD	2,635	2,564	2.8%	212	200	6.3%	8.0%	7.8%	0.3%
BorgWarner	USD	3,671	3,614	1.6%	369	331	11.6%	10.1%	9.2%	0.9%
Brembo	EUR	988	959	3.0%	114	115	(0.7%)	11.5%	12.0%	(0.4%)
CIE Automotive	EUR	1,003	1,006	(0.3%)	136	123	10.2%	13.5%	12.2%	1.3%
Conti Auto	EUR	5,133	4,911	4.5%	(32)	77	(141.2%)	(0.6%)	1.6%	(2.2%)
Dana	USD	2,748	2,742	0.2%	136	103	32.0%	4.9%	3.8%	1.2%
Gentex	USD	583	558	4.6%	127	113	13.1%	21.8%	20.2%	1.6%
Gestamp	EUR	3,129	3,103	0.9%	191	171	11.7%	6.1%	5.5%	0.6%
Lear	USD	5,999	5,871	2.2%	302	288	4.8%	5.0%	4.9%	0.1%
Magna	USD	10,982	10,473	4.9%	603	488	23.6%	5.5%	4.7%	0.8%
Schaeffler	EUR	4,056	4,088	(0.8%)	289	285	1.5%	7.1%	7.0%	0.2%
Visteon	USD	983	990	(0.7%)	57	71	(19.9%)	5.8%	7.2%	(1.4%)
Vitesco	EUR	2,442	2,373	2.9%	76	69	10.1%	3.1%	2.9%	0.2%
Tyres										
Conti Tyres	EUR	3,459	3,458	0.0%	474	454	4.5%	13.7%	13.1%	0.6%
Goodyear	USD	4,867	5,205	(6.5%)	86	205	(58.2%)	1.8%	3.9%	(2.2%)
Nokian Renkaat	EUR	293	344	(14.9%)	15	17	(10.1%)	5.2%	4.9%	0.3%
Pirelli	EUR	1,738	1,708	1.8%	269	256	5.1%	15.5%	15.0%	0.5%
		Revenue			**Adj. EBIT**			**Adj. EBIT margin, %**		
		H1-23	**VA cons.**	**Beat/miss**	**H1-23**	**VA cons.**	**Beat/miss**	**H1-23**	**VA cons.**	**Beat/miss**
Suppliers										
Forvia	EUR	13,621	13,395	1.7%	675	682	(1.0%)	5.0%	5.1%	(0.1%)
POM	EUR	5,293	4,960	6.7%	210	206	1.8%	4.0%	4.1%	(0.2%)
Valeo	EUR	11,212	11,118	0.8%	363	349	3.9%	3.2%	3.1%	0.1%
Tyres										
Michelin	EUR	14,079	13,698	2.8%	1,704	1,670	2.0%	12.1%	12.2%	(0.1%)
Tyremaker average				**(3.4%)**			**(11.3%)**			**(0.2%)**
Supplier average (ex. Conti Auto)				**2.3%**			**9.8%**			**0.4%**

Source: BNP Paribas Exane estimates, company data, Visible Alpha

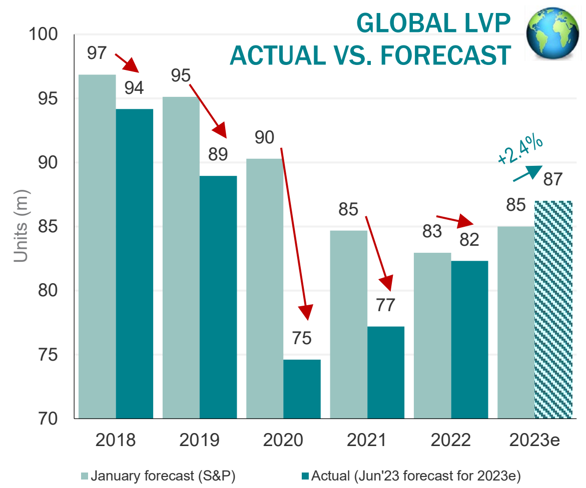
2. Upgrades to GLVP have not led to material guidance upgrades, why?

The GLVP momentum seen this year has been impressive with S&P forecasting GLVP growth of ~3% for 2023e at the beginning of the year but gradually upgrading all the way to 5.7% in the latest August update, inches away from our forecast of 6.0%.

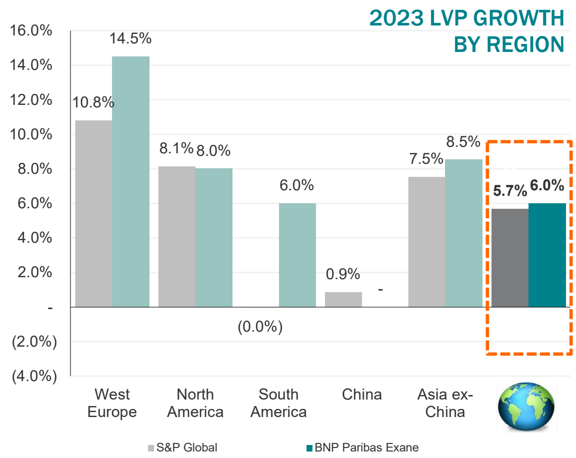
Suppliers have also finally adopted a more credible market scenario across the board generally aligning themselves with S&P. But despite this positive development the guidance revisions have been limited and overall disappointing. **Why is that?**

Figure 9: We have seen material positive GLVP revisions ytd with S&P now forecasting +5.7% YoY growth

2023 could become the first year to see positive GLVP revisions since 2017



S&P is now mostly in-line with our forecast for most regions

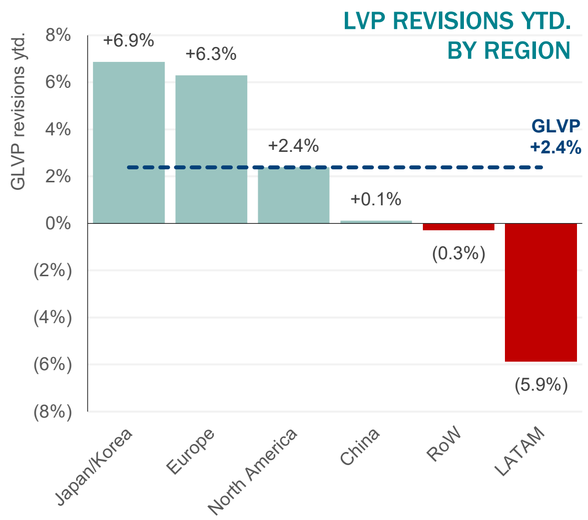


Source: BNP Paribas Exane estimates, S&P

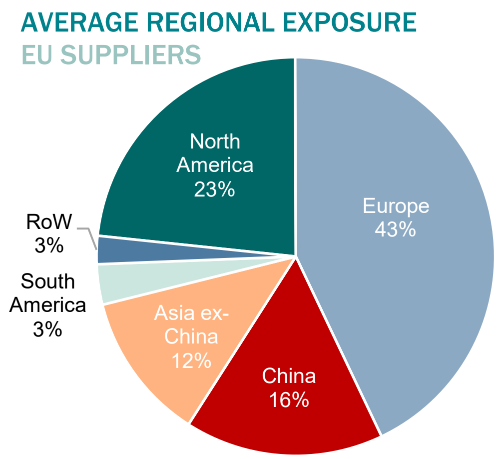
In order to understand the reason for the lack of guidance upgrades in a context of higher production volumes, it is important to understand where the volume surprise came from. We firstly looked at which regions were responsible for the upgrades. Europe and North America, along with Japan and S. Korean, led the upgrades so far this year, which should indeed have translated into a positive regional mix effect for suppliers.

Figure 10: Europe and North America driven GLVP upgrades should have boosted suppliers' growth

Positive +2.4% GLVP revisions since January were driven by Japan, S. Korea and Europe



Average regional exposure of European suppliers



Source: BNP Paribas Exane estimates, S&P

To explain the lack of upgrades we therefore had to go one step further and looked at which of the largest 20 carmakers globally (ranked by 2023e production volumes) led the ranking in terms of positive revisions. **The results were impressive, but not totally unexpected, with 6 out of the 10 best performing carmakers ytd. being Chinese.**

We can conclude therefore that despite the positive regional mix the reason for the lack of 2023e upgrades, especially on the topline level, is linked to a strongly negative customer mix for European and US suppliers.

European and North American carmakers, to which the suppliers in our coverage are materially more exposed, have been strongly underperforming their Chinese competitors. The only segment which saw positive volumes revisions so far was the premium with BMW and MB the only carmakers making it in the top-10.

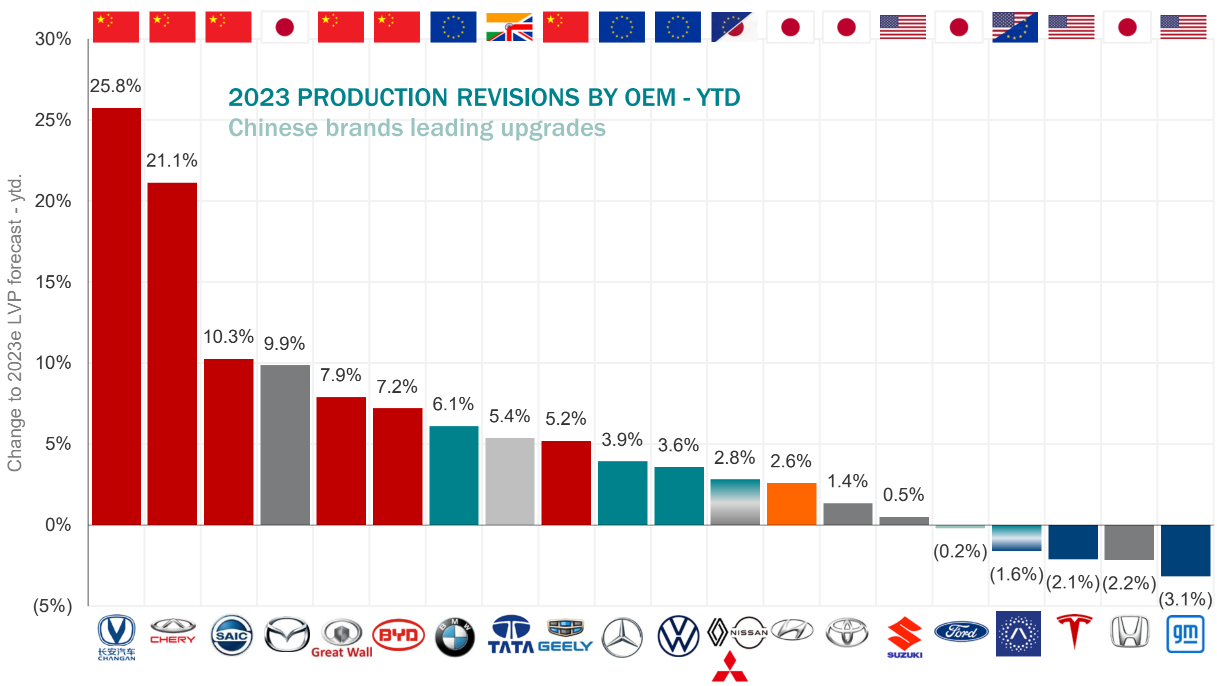
While customer mix was, in our view, the main driver of the lack of upgrades, we see three other factors at play here:

1) The new targets retain what we see as a healthy degree of conservatism, in our view. Suppliers are aware of the risks remaining in 2023 with the UAW negotiations, uncertainty in China and potential tensions in Europe linked to energy prices in Q4. The conservativism is apparent if we look at the limited drop-through rate assumed by the higher topline with Autoliv at ~9% and Forvia at ~10%, vs. a normal rate of ~20-25% for both suppliers.

2) The disappointing topline upgrades have been justified in some cases by lower inflation leading to therefore to a lower pricing on the topline.

3) FX has also clearly played a role for European players with the USD devaluation impacting the outlook for topline and some movements in other currencies like MXP and RMB having adverse transactional effect on the margins.

Figure 11: Chinese carmakers leading the upgrades to production in 2023e



Source: BNP Paribas Exane estimates, S&P

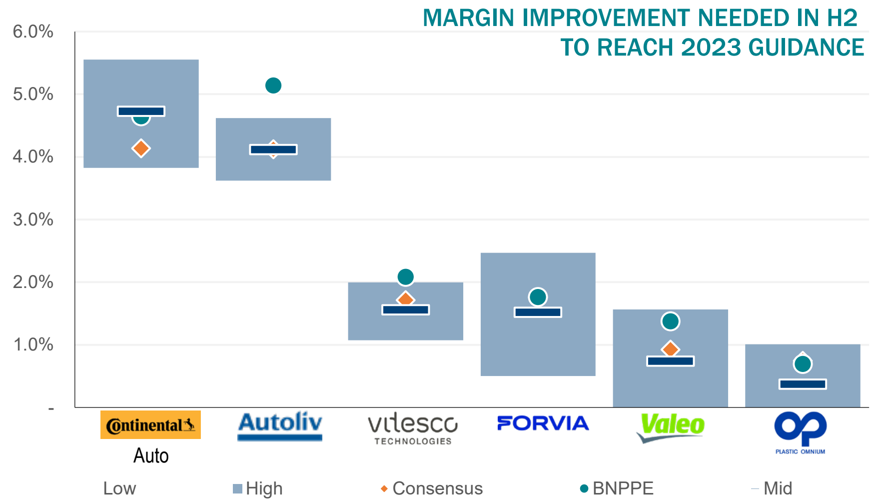
3. Mind the gap: Bridging the FY targets, who is most at risk?

As we explained earlier, we saw limited positive guidance revisions over the course of the Q2 results season. But despite the lack of revisions and the positive GLVP revisions seen so far this year several suppliers are looking at steep margin improvement in H2 in order to achieve their guidance.

The most dramatic increase is currently implied by Conti's Automotive target of 2-3% margin, which at the mid-point would need a 470bps improvement in adj. EBIT margin in H2. But other suppliers like Autoliv (+410bps) will also need a significant improvement to reach the targets.

The suppliers with the guidance requiring the most limited step-up in margin in H2 on the other hand are Plastic Omnium, whose guidance is expressed as a floor at EUR400m adj. EBIT and Valeo, that already reached the low end of its guidance range in H1 (although assisted by a steep increase in capitalized R&D costs).

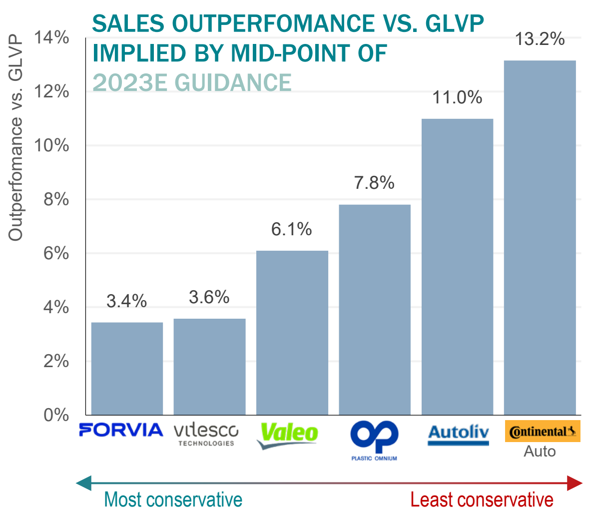
Figure 12: H2 margin needed to reach the 2023 guidance



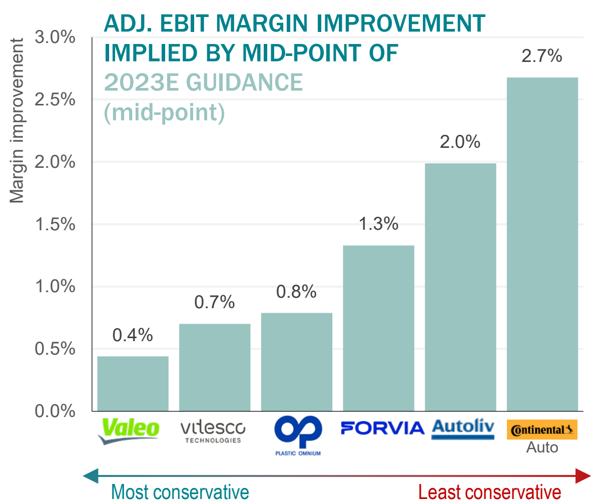
Source: BNP Paribas Exane estimates, company data, Visible Alpha

Figure 13: The 2023 guidance of Conti and Autoliv 2023e reflect both elevated outperformance and a large margin improvement

Sales outperformance implied by the guidance



Adj. EBIT margin improvement implied by the guidance



Source: BNP Paribas Exane estimates, company data, S&P

Figure 14: Summary of GLVP revisions by supplier

	2023 GLVP	Europe	North America	China	Global		Notes
	YoY % Growth				Range	**Midpoint**	
European Suppliers	Autoliv	-	-	-	-	**+4.0%**	*LVP up to 3.5 ton*
	Brembo	-	-	-	-	**+5.3%**	*In-line with S&P Global*
	Continental	+7% / +9%	+5% / +7%	+0% / +2%	+3% / +5%	**+4.0%**	
	CIE Automotive	-	-	-	-	**+5.3%**	*In-line with S&P Global*
	Gestamp	-	-	-	-	**+5.3%**	*In-line with S&P Global*
	Forvia	> 5.6%	> 5.9%	Flat	-	**+4.5%**	*Americas and Asia*
	Hella	-	-	-	-	**+4.5%**	
	Norma	-	-	-	-	**-**	*Below S&P Global*
	Plastic Omnium	-	-	-	-	**+3.1%**	*LVP up to 3.5 ton*
	Schaeffler	-	-	-	+2% / +4%	**+3.0%**	
	Stabilus	-	-	-	-	**+5.0%**	*FY-end September*
	Thyssenkrupp	-	-	-	+1 / +5%	**+3.0%**	
	Valeo	-	-	-	-	**+5.3%**	
	Vitesco	+7% / +9%	+6% / +8%	Flat / +2%	+3 / +5%	**+4.0%**	
	ZF	-	-	-	-	**+1.0%**	*PC and LCV <6t*
US Suppliers	American Axle	-	+8.4%	-	-	**-**	*Only North America*
	Aptiv	+4% / +6%	+3% / +5%	-2% / Flat	+3% / +4%	**+3.5%**	*Aptiv weighted*
	BorgWarner	+10.0%	+8.0%	+1.0%	-	**+6.0%**	*Borgwarner weighted*
	Gentex	+10.0%	+8.0%	+1.0%	-	**+6.0%**	
	Lear	+8.0%	+5.0%	-1.0%	-	**+4.0%**	*Unweighted*
	Magna	+7.6%	+6.3%	-0.8%	-	**+5.9%**	*Unweighted*
	Visteon	-	-	-	-	**+LSD %**	*Visteon weighted*
European average		**+7.2%**	**+6.3%**	**+0.5%**		**+4.1%**	
US average		**+8.1%**	**+6.3%**	**-0.2%**		**+5.1%**	
BNPP Exane		**+10.9%**	**+8.0%**	**Flat**	-	**+6.0%**	
S&P Global		**+10.8%**	**+8.1%**	**+0.9%**	-	**+5.7%**	

Source: BNP Paribas Exane estimates, company data, S&P Global August update

4. UAW negotiations – How worried should you be?

With the September 14 deadline for the renewal of the UAW agreement rapidly approaching and having witnessed very limited positive development in the negotiations process, **strikes appear inevitable at this point.**

While strikes appears to be priced in at this point, the length and scope of the strikes are impossible to predict for now, making it difficult to estimate what could be the impact on production and on suppliers' financial performance.

Our analysis shows that the risk for Q3 production would be minimal even in the event of strikes hitting all three automakers at the same time. Pre-production in July, August and early September should be sufficient to absorb the ~240k units hit to Q3 production in the worst case event of a complete shutdown at all three carmakers across all unionised plants in the US and Canada.

The answer is however different in Q4, where the impact will largely depend on the length and reach of the strike action. Unable to give a precise answer we have developed a useful tool which enables the user to flex assumptions to reflect the latest developments and formulate a view on the potential impact on EU-based suppliers.

If you would like to receive this tool please let us know.

Figure 15: Impact of a strike lasting until October 16 and affecting all unionized plants of Stellantis, Ford and GM simultaneously

US/Canada:

Units	Current forecast		Post strike forecast		Strike impact (units)		Strike impact, % of current forecast			
	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	H2	2023
Stellantis	358,629	261,472	301,404	217,065	57,225	44,407	16.0%	17.0%	16.4%	7.4%
Ford	521,715	494,073	421,810	406,284	99,905	87,789	19.1%	17.8%	18.5%	9.1%
General Motors	496,564	404,791	410,952	327,459	85,612	77,332	17.2%	19.1%	18.1%	8.6%
Detroit-3	**1,376,908**	**1,160,336**	**1,134,165**	**950,808**	**242,743**	**209,528**	**17.6%**	**18.1%**	**17.8%**	**8.5%**

Topline:

EURm	BNPPE sales (no strike)		Post strike sales		BNPPE sales impact		BNPPE sales impact, %			
	Q3'23e	Q4'23e	Q3'23e	Q4'23e	Q3'23e	Q4'23e	Q3'23e	Q4'23e	H2'23e	2023e
Autoliv (USD)	2,658	2,734	2,615	2,689	43	45	1.6%	1.6%	1.6%	0.8%
Conti Auto	5,439	5,557	5,382	5,499	57	59	1.1%	1.1%	1.1%	0.6%
Forvia	6,355	7,487	6,250	7,363	105	124	1.7%	1.7%	1.7%	0.8%
Plastic Omnium	2,540	2,944	2,497	2,892	43	51	1.7%	1.7%	1.7%	0.9%
Valeo	5,658	5,987	5,591	5,915	67	72	1.2%	1.2%	1.2%	0.6%
Vitesco	2,247	2,534	2,213	2,495	34	39	1.5%	1.5%	1.5%	0.8%

Adj. EBIT: Drop through: 20%

EURm	Adj. EBIT (no strike)		Post strike Adj. EBIT		Adj. EBIT impact	Adj. EBIT impact, %	
	H2'23e	2023e	H2'23e	2023e	H2'23e	H2'23e	2023e
Autoliv (USD)	638	981	620	963	18	2.8%	1.8%
Conti Auto	517	524	494	501	23	4.5%	4.4%
Forvia	930	1,605	884	1,559	46	4.9%	2.8%
Plastic Omnium	256	466	237	447	19	7.4%	4.1%
Valeo	537	900	509	872	28	5.2%	3.1%
Vitesco	214	327	199	313	15	6.8%	4.4%

Adj. EBIT margin, %:

	Margin (no strike)		Post strike margin		Margin impact, %	
	H2'23e	2023e	H2'23e	2023e	H2'23e	2023e
Autoliv (USD)	11.8%	9.3%	11.7%	9.2%	(0.1%)	(0.1%)
Conti Auto	4.7%	2.5%	4.5%	2.4%	(0.2%)	(0.1%)
Forvia	6.7%	5.8%	6.5%	5.7%	(0.2%)	(0.1%)
Plastic Omnium	4.7%	4.3%	4.4%	4.2%	(0.3%)	(0.1%)
Valeo	4.6%	3.9%	4.4%	3.8%	(0.2%)	(0.1%)
Vitesco	4.5%	3.4%	4.2%	3.3%	(0.2%)	(0.1%)

Source: BNP Paribas Exane estimates

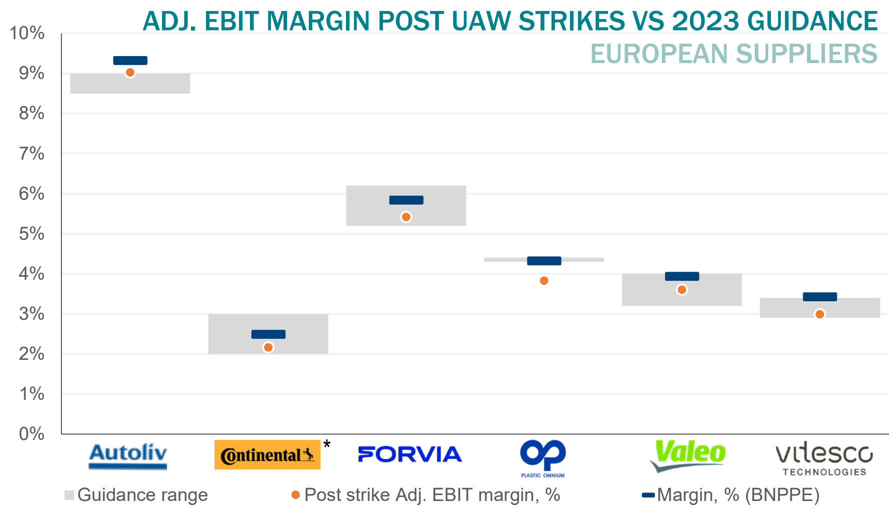
Suppliers' share price performance has come under pressure as a consequence and we have seen investors understandably hide in more defensive tyre names like Michelin (-), Pirelli (+) and Mercedes (=).

While we do expect volatility to remain elevated in the coming weeks as we come closer to the start of strikes it is worth noting that the concerns for suppliers could be overdone.

Our analysis shows that even in the event of strikes lasting until the end of the year and affecting all three carmakers at all plants, most suppliers should be in a position to meet their FY targets. **We even assume in our analysis that carmakers won't accelerate production to make up for some of lost units production after the end of the strikes.**

Our analysis considers the exposure of each supplier to the three carmakers globally as well as the level of production of each carmaker in the US and Canada. While certainly not perfect, our analysis suggest that the recent weakness in share prices could offer investors a buying opportunity ahead of what should be a steep recovery in production following the strikes.

Figure 16: Worst case scenario with strike lasting until the end of 2023e and impacting all three carmakers simultaneously



*Source: BNP Paribas Exane estimates; * Conti refers only to Automotive guidance*

What are the demands of the UAW?

The extent of demands presented by the UAW took investors by surprise with the Union clearly willing to leverage on the record that the three carmakers were able to book in the last couple of years to extract the highest possible level of concessions. Here are a summary of the key demands presented by the UAW:

– **Cumulative pay raise** of +40% through 2027, consisting of an initial +20% increase in 2024/year-1, followed by +5% increases thereafter

– **DB pensions for all workers** (defined benefit plans have been frozen since ~2011; now currently defined contribution plans)

– The return of the notorious "**jobs bank**": protection against layoffs; the jobs bank gave workers 95% of their usual take-home pay while on layoff

– **Cost of living adjustments**

– **End to the wage-tier system** based on the seniority of each worker

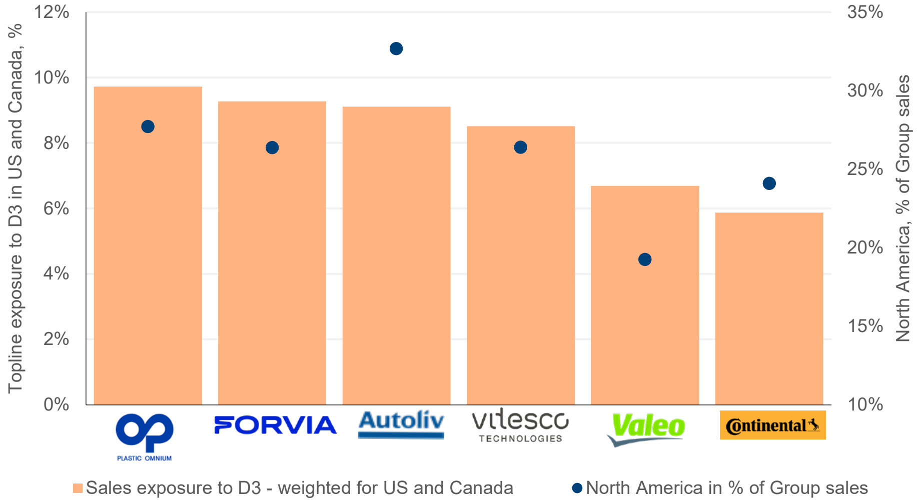
– **Shorter work week at same pay** with a 32-hour workweek with 40 hours' worth of pay, which somehow is separate from the increased hourly wage demand

Things to consider when ranking suppliers' exposure to the strikes

We have often been asked which supplier is more exposed to the strikes, the answer to this question is unfortunately harder than it seems as there are several factors to consider:

– **Exposure to each of the Detroit 3 (D3):** The first and most obvious point to consider is the exposure of each supplier to Stellantis, Ford and GM. We find that Plastic Omnium (~30%); Forvia (~27%) and Autoliv (~26%) have the highest relative topline exposure to the three carmakers, while Valeo and Conti have the lowest exposure to the three. Should the strike hit only one or two carmakers then the considerations would obviously change based on individual circumstances.

Figure 17: Ranking suppliers based on relative exposure to Detroit three and North America



Source: BNP Paribas Exane estimates

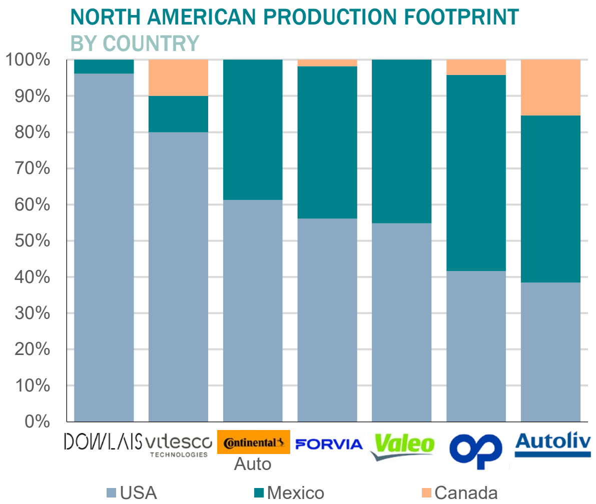
– **Exposure to North America:** A second important factor is the exposure to North America of each supplier as we need to adjust for suppliers' exposure to Stellantis or Ford in Europe or GM in Asia. We find that Autoliv and Plastic Omnium have once again the highest exposure to North America.

– **Risk to the guidance:** Another factor to consider is the sensitivity to production changes to the operating performance of the business with suppliers like Conti (+) and Autoliv(+) having the biggest gap to cover in H2 to meet their 2023e guidance and therefore potentially exposed to the highest relative risk of a downgrade.

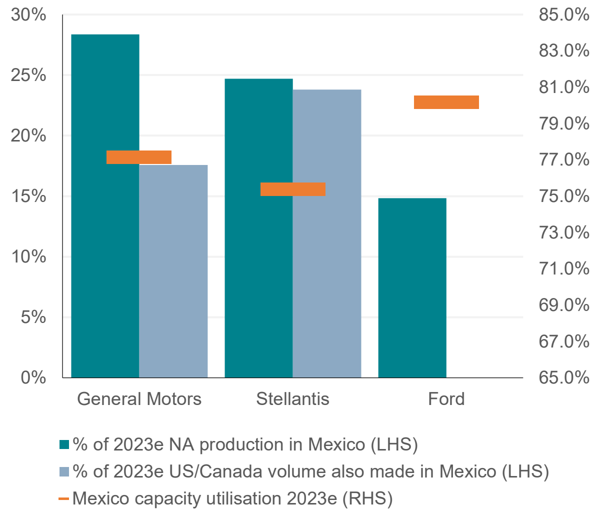
– **Mexico exposure helps:** The last factor to consider is the number of plants of each supplier in Mexico. While some of these plants are located in Mexico but still supply US factories, others do produce local for local. All suppliers with the exception of Dowlais and Vitesco have a broad footprint in Mexico.

Figure 18: Exposure to North America and ability of D3 to move production to Mexico

Supplier's North American production footprint by country

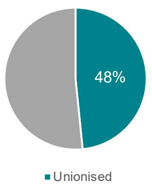


We try to measure how easily the D3 can move production to Mexico – Ford worst placed based on models overlap



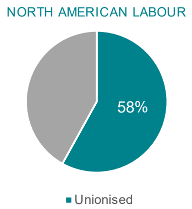
Source: BNP Paribas Exane estimates, Company data

Figure 19: Stellantis production plants and models exposed to UAW strikes

OEM	Plant	Capacity	Key models	Production forecast 2023e*	Daily strike impact
STELLANTIS	**Sterling Heights**	**350,000**		**278,922**	**1,077**
	USA		Ram 1500 	278,922	1,077
	Toledo North	**350,000**		**216,241**	**839**
	USA		Jeep Wrangler 	216,241	839
NORTH AMERICAN LABOUR	**Mack Avenue (Detroit 2)**	**200,000**		**188,932**	**731**
	USA		Jeep Grand Cherokee 	188,932	731
	Jefferson North (Detroit 1)	**280,000**		**185,785**	**722**
	USA		Jeep Grand Cherokee 	110,316	433
			Dodge Durango	75,469	289
	Brampton	**285,000**		**189,088**	**650**
	Canada		Dodge Charger 	103,632	351
			Dodge Challenger	67,032	234
			Chrysler 300	18,424	65
	Windsor	**345,000**		**137,391**	**476**
	Canada		Chrsyler Pacifica/Voyager 	137,391	476
	Warren Truck	**225,000**		**98,568**	**396**
	USA		Ram 1500 	49,183	202
			Jeep Wagoneer/Grand Wagoneer	49,385	194
	Toledo Supplier Park	**150,000**		**71,505**	**313**
	USA		Jeep Gladiator 	71,505	313
	Belvidere			**11,901**	**0**
	USA *(production ceased in February)*		Jeep Cherokee	11,901	0

*Source: BNP Paribas Exane estimates; * Based on July S&P forecasts (i.e. excluding strikes)*

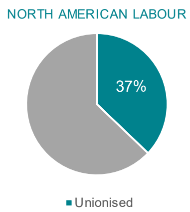
Figure 20: Ford production plants and models exposed to UAW strikes



OEM	Plant	Capacity	Key models		Production forecast 2023e*	Daily strike impact
	Kentucky Truck	**475,000**			**402,462**	**1,872**
	USA		Ford F-250/350		291,055	1,404
			Ford Expedition		89,005	374
			Lincoln Navigator		22,402	94
	Kansas City #2	**325,000**			**291,517**	**1,334**
	USA		Ford F-150		291,517	1,334
	Chicago	**385,000**			**246,765**	**1,160**
	USA		Ford Explorer		223,920	1,044
			Lincoln Aviator		22,845	116
	Dearborn Truck	**325,000**			**285,098**	**972**
	USA		Ford F-150		285,098	972
	Louisville	**400,000**			**188,148**	**959**
	USA		Ford Escape		158,394	796
			Lincoln Corsair		29,754	163
	Kansas City #1	**250,000**			**174,331**	**808**
	USA		Ford Transit/e-Transit		174,331	808
	Oakville	**290,000**			**156,673**	**674**
	Canada		Ford Edge		128,414	573
			Lincoln MKX/Nautilus		28,259	101
	Michigan Assembly	**250,000**			**179,099**	**612**
	USA		Ford Bronco		134,127	459
			Ford Ranger		44,972	153
	Flat Rock	**200,000**			**55,384**	**300**
	USA		Ford Mustang		55,384	300
	Rouge Electric Vehicle Center	**100,000**			**39,616**	**248**
	USA		Ford F-150 Lightning		39,616	248
	Ohio Assembly #1	**60,000**			**42,067**	**144**
	USA		Ford E-Series		42,067	144
	Chicago SHO, USA	**20,000**			**9,469**	**0**
	USA		Ford Explorer		6,846	0
	(production ceased in July)		Lincoln Aviator		2,623	0
	Markham, Canada				**30**	**0**
			Ford GT		30	0

*Source: BNP Paribas Exane estimates; * Based on July S&P forecasts (i.e. excluding strikes)*

Figure 21: GM production plants and models exposed to UAW strikes



OEM	Plant	Capacity	Key models	Production forecast 2023e*	Daily strike impact
	Arlington	**350,000**		**339,067**	**1,384**
	USA				
			Chevrolet Tahoe 	126,013	512
			GMC Yukon/XL	104,048	429
			Chevrolet Suburban	60,898	249
			Cadillac Escalade/ESV	48,108	194
	Fort Wayne	**360,000**		**273,946**	**1,126**
	USA				
			Chevrolet Silverado 	169,631	698
			GMC Sierra	104,315	428
	Flint Truck	**270,000**		**254,221**	**969**
	USA				
			Chevrolet Silverado HD 	143,365	543
			GMC Sierra HD	110,856	426
	Wentzville	**300,000**		**196,797**	**931**
	USA				
			Chevrolet Colorado 	105,552	512
			GMC Canyon	34,221	158
			Chevrolet Express	34,534	149
			GMC Savana	22,490	112
	Lansing Delta Township	**250,000**		**168,163**	**740**
	USA				
			Chevrolet Traverse 	126,124	533
			Buick Enclave	42,039	207
	Fairfax	**300,000**		**174,182**	**707**
	USA				
			Chevrolet Malibu 	143,967	580
			Cadillac XT4	30,215	127
	Oshawa #2	**150,000**		**133,776**	**500**
	Canada				
			Chevrolet Silverado/HD 	133,776	500
	Spring Hill	**200,000**		**139,442**	**480**
	USA				
			GMC Acadia 	59,044	187
			Cadillac Lyriq	20,559	120
			Cadillac XT5	34,999	115
			Cadillac XT6	24,840	58
	Orion	**100,000**		**67,396**	**305**
	USA				
			Chevrolet Bolt EUV 	45,811	205
			Chevrolet Bolt	21,015	100
			Cruise AV	570	-
	Lansing Grand River	**140,000**		**58,265**	**220**
	USA		Chevrolet Camaro	31,518	121
			Cadillac CT5	17,397	65
			Cadillac CT4	9,350	34
	Bowling Green	**80,000**		**40,474**	**175**
	USA		Chevrolet Corvette	40,474	175
	Factory Zero	**120,000**		**20,237**	**124**
	USA		GMC Hummer EV SUV/Pickup	13,605	100
			Chevrolet Silverado EV	6,141	24
			Cruise Origin	491	-
	Springfield	**20,000**		**15,987**	**78**
	USA		Chevrolet Express	9,877	55
			GMC Savana	6,110	23
	CAMI #2			**8,783**	**46**
	Canada		Brightdrop Zevo 400	6,938	39
			Brightdrop Zevo 600	1,845	7
	Warren Technical Center			**6**	**0**
	USA		Cadillac Celestiq	6	0

*Source: BNP Paribas Exane estimates; * Based on July S&P forecasts (i.e. excluding strikes)*

5. What's the latest on pricing negotiations?

We have been debating with inventors since the start of the year weather it is sensible to assume that suppliers can secure the level of compensations for inflation costs that are needed to secure the improvement in margins reflected by the 2023 guidance for most companies.

Our view has consistently been that compensations for raw-mat and semis inflation should be relatively straight forward, especially considering the positive resolution of the negotiation process in 2022. While at the same time we have argued before that energy and labour cost inflation are going to be harder to pass-on.

The message from the Q2 results season was surprisingly positive. According to suppliers, negotiations are either largely concluded or well advanced and expected to close shortly.

Suppliers also sounded confident that the level of pricing achieved is sufficient to cover costs and support margins and have talked confidently about being in a better position than in the past in terms of the ability to respond to future input costs prices fluctuations.

Disinflation on certain raw-mat and a steep drop in energy costs compared to the start of the year have certainly also helped them achieve this outcome. But further disinflation should lead to a positive margin uplift for all suppliers even if we have no doubt that we are soon destined to return to a normal deflationary pricing environment for suppliers.

We expect the improvement in pricing in H2 to be particularly supportive for Continental's Automotive business. The company has been slower than peers at closing pricing agreements with carmakers, but we continue to forecast a significant step-up in pricing in H2 which should explain the majority of the 400-500bps sequential margin reflected in the 2023e guidance. For more on Conti please see: CONTINENTAL: Parts Master.

Figure 22: Latest suppliers' commentary on pricing negotiations

Company	Date	Pricing Commentary - Q2 2023
Autoliv (+)	21-Jul	• Have achieved inflation compensation from virtually all customer, though labour cost recoveries are so far not meaningful. • Achieved the expected level of pricing in H1 and remain confident about significantly higher recoveries in H2. Indicated potential for a large step-up in Q4. • Are registering a higher share of lump-sums compared to last year, with both customers and suppliers, though the overall balance is positive.
Continental (+)	09-Aug	• The focus so far has been on the quality of price negotiations, though they remain confident of a conclusion by the end of the year. • Many negotiations have been concluded in July with some of those outstanding also including retroactive benefits. • Although Continental hasn't quantified the recoveries achieved in the negotiations, they expect more than half of the H2 improvement in margins to come from pricing.
Forvia (+)	27-Jul	• Originally targeted c90% cost recovery and now expect a compensation ratio above 87%. Inflation compensations are a combination of price increases and productivity improvements to cover the labour costs that are most challenging to recover from customers. • Focus on achieving the right level of pricing and are willing to drop business if appropriate price increases cannot be agreed. Some compensations were delayed into H2 as Forvia was unhappy with the proposed terms. • Achieved 110bps of inflation pass through to customers in H1. Some of the agreements in H2 will be retroactive.
Plastic Omnium (=)	24-Jul	• Are pursuing inflation pass-through on an objective and documented basis, though acknowledge a greater focus on operational efficiencies to offset some of the cost increases. • Negotiations will continue throughout the year and expect an inflation pass-through above 70%. All new quotations will also reflect the updated cost basis. • Continue to evaluate and monitor price fluctuations with the supplier base.
Valeo (+)	27-Jul	• Most of the negotiations were completed in H1 with inflation recovery centred around electronic components, energy and labour. Do not expect material price increases in semis in 2024. • Are generally targeting recurring agreements, which will continue into H2, though some lump sums were receieved in H1. • All agreements include a retroactive element from Jan 2023.
Vitesco (=)	10-Aug	• Agreements reached with nearly all major customers, the effects of which will manifest throughout the year as positive claims and inventory revaluations. • Are targeting a price recovery of 80%, which aligns with the mid-point of guidance. However, do see some upside potential to the 80% target. • Primarily seeking price adjustments rather than one-off payments. Sustainable price increases should begin to be seen from Q3.

Source: BNP Paribas Exane estimates

6. Shouldn't pricing get tougher as competition increases?

We get this question all the time and the logic is clear. As pricing for the carmakers comes under pressure it is only fair to assume that carmakers will do all they can to protect their margins and paying less for components is certainly an easy and effective way to achieve this goal without having to kick-start a far-reaching internal restructuring effort.

While we certainly understand the logic behind this reasoning, we disagree with the conclusion and would point out to three things to support our view:

1) Pricing negotiations on existing contracts is not the norm but the exception: This is why when suppliers were forced to demand for a pricing adjustment to reflect the steep-rise in input costs it took months before any benefit became visible

The normal course of business is that a pricing level is agreed upon the parties at the beginning of the contract. This price agreement can include indexation clauses to reflect changes in raw-material costs and always includes a price-down provisions by which the price of the component is revised down every year as suppliers achieve economies of scale thanks to the volumes ramp-up of an existing program.

We certainly expect suppliers to have to give back pricing to the carmakers as raw-mat and input costs start to come down, but this should have a positive impact on margins given both the delayed nature of the price adjustment and the dilutive effect of pricing when it is just meant to partially compensate suppliers for higher costs.

2) The margin differential between suppliers and OEMs has never been wider: Following the logic of the initial argument we should have seen suppliers benefit directly from the abundant pricing power that carmakers have benefitted from in recent years.

But the opposite is true and suppliers have not only not benefitted by this strong pricing power but have not even been able to protect their margins from inflation. With suppliers making hardly any margin on average and carmakers currently enjoying record high levels it is hard to see why suppliers should be penalized by having to give back excess pricing which they did not receive in the first place.

3) Suppliers do have some pricing power in the short term: We all know that suppliers are price takers, especially those that sell relatively commoditized technologies which carmakers can source from a variety of different players.

But in the short term co-development R&D costs and the complexity of the automotive production process can make the cost of switching to a different supplier relatively elevated for a carmaker.

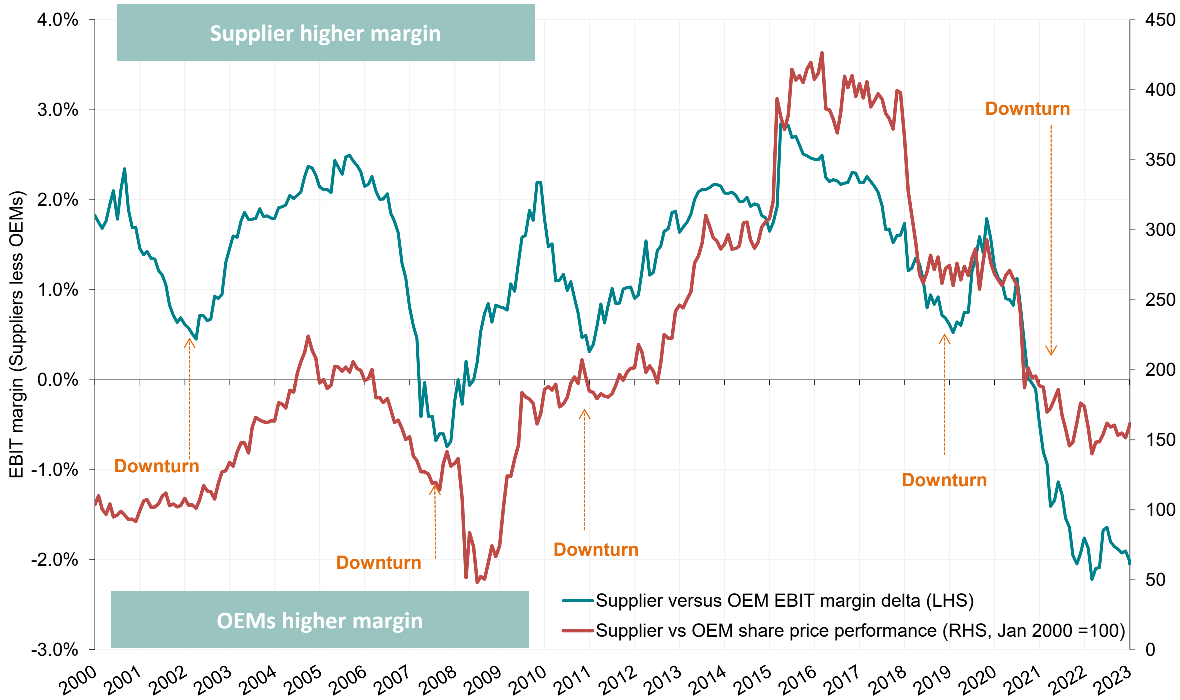
Tougher pricing conditions are a lot more likely to manifest in new orders but given the broad reach of the technology changes we are currently witnessing we are actually seeing suppliers talking about being able to secure healthy levels of pricing in their latest order intake.

4) As costs begin to ease outperformance might come under pressure: We expect growth over market (GLVP outperformance) to weaken for suppliers from 2024e onwards as input costs begin to ease.

This should not however be an issue for margins and earnings momentum and as the lower pricing benefit on the topline should be matched by lower costs. A pricing drag on performance should also, for some suppliers, be compensated by the contribution of new technologies like ADAS and electrification where we have seen record level of new order intake in recent years.

Our conclusion is that suppliers' pricing should continue to have relatively low correlation with the OEMs' pricing, especially in the short term. Meanwhile, suppliers will remain price takers in the long-term and their pricing power and profitability will depend on the technology of their products as well as exogenous factors such as market volumes and market concentration.

Figure 23: Suppliers' margin delta to OEMs remains elevated relative to history



Source: BNP Paribas Exane estimates, company data

7. Order intake said to be at healthy levels of margins, is it credible?

Order intake largely continued to surprise positively in Q2 with powertrain technologies boosted by the transition to BEVs and ADAS driving the positive surprise. More interestingly however we noted that most suppliers talk confidently about the level of margins implied by these orders.

We find investors as being highly sceptical about both the likelihood that these elevated orders will translate into an acceleration in outperformance and the fact that they will lead to a significant improvement in margins. This is understandable given that the order intake of the last few years never translated into either growth or margin improvement.

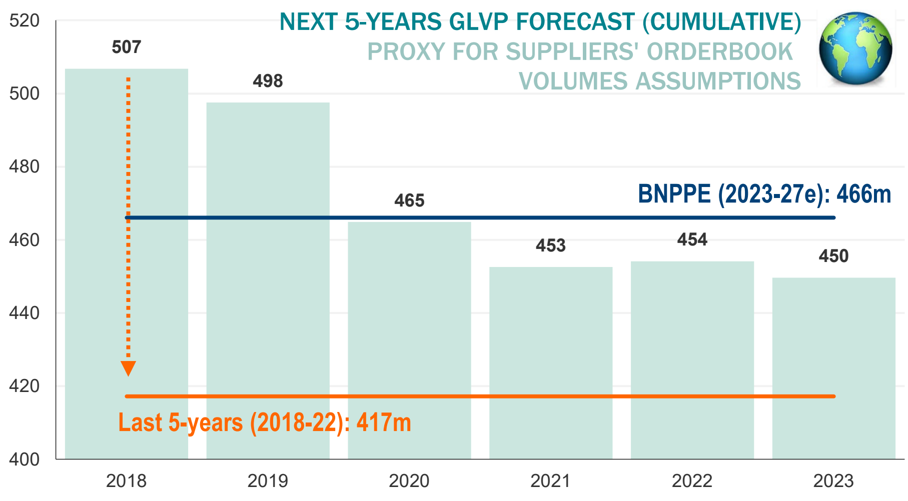
However, we see reasons to be more optimistic this time, here is why: i) Order intake today is based on more rational and conservative GLVP assumptions; and ii) R&D intensity for new technologies particularly in the electrification, software and ADAS spaces should start to decrease as new technologies finally reach scale.

On the first point we looked back at S&P volumes assumptions since 2018 and compared them to the actual production we have seen. In 2018 S&P expected the market to produce in excess of 500m units during the 5-years to 2022, an average of more than 100m units per year. Suppliers were at the time basing their order intake on those optimistic assumptions and this naturally led to a disappointment given that we only ended up producing ~417m in those 5 years – **roughly 90m less cars than expected at the time!**

Changes in market share amongst OEMs with the growth of Tesla and Chinese carmakers, as well as the rapid technology changes seen over the last 5 years with the transition to electric mobility happening a lot faster than expected and carrying with it a higher share of insourcing are also partially responsible for the disappointment.

Going forward we believe that the order intake being booked today is both significantly more conservative in terms of volumes, S&P is forecasting ~450m units produced until 2027 (BNPPE 466m), and less likely to be affected by the rapid pace of technology changes witnessed in the last few years.

Figure 24: An orderbook you can trust



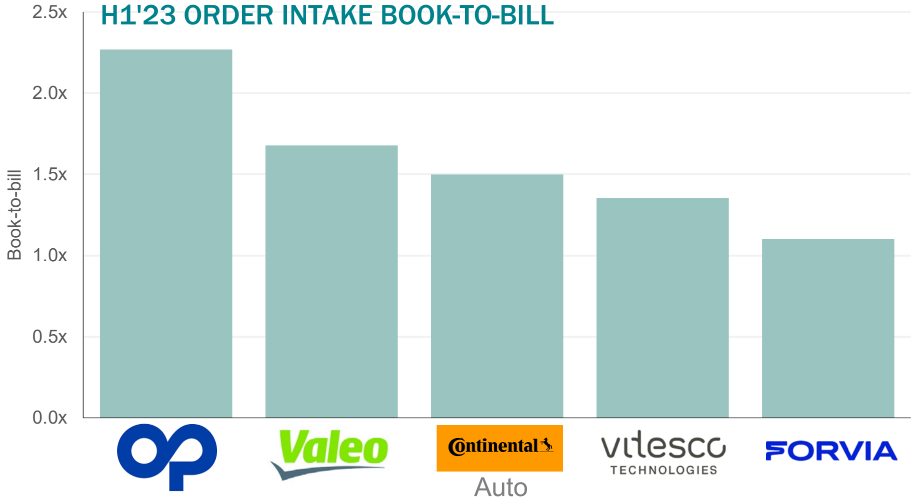
Source: BNP Paribas Exane estimates, company data

With new technologies like electrification and ADAS also finally maturing and reaching scale we also see suppliers as better positioned today to enjoy a material improvement in margins as these new orders finally enter production.

The relative weight of these new technologies within the order intake should have also ensured a relatively healthier level of pricing, as it is often the case when new products are introduced. This is likely to also be playing a factor in giving suppliers confidence that margins should continue to recover from here.

Most suppliers have also been through an enforced cost restructuring effort over the last few years, and Conti and Forvia (through the acquisition of Hella) stick out in this regard. This should finally become visible as volatility in production schedules subsidies and the pressure of inflation becomes more manageable.

Figure 25: Order intake continued to accelerate in H2 with ADAS and electrification driving the step-up in orders



Source: BNP Paribas Exane estimates, company data

8. Chinese OEMs on the rise, how are suppliers positioned?

With market share in China and potentially in the future also outside of China as well being completely redrawn by the shift to electric mobility, the exposure of suppliers to Chinese carmakers has recently been a recurring topic of discussion with investors. We first discussed this issue in December last year with our report: SUPPLIERS: Making new friends in China.

Suppliers arrived in China with international carmakers and have historically been over indexed to foreign brands. But we have recently seen them growing their presence with Chinese players and we see them as relatively brand agnostic in the long run. As Chinese carmakers grow their international presence, we expect them to increasingly rely on foreign suppliers which have the quality and the footprint to help them in this expansion.

This is likely to be particularly true in Europe where several Chinese carmakers are planning to set-up local production. While we could also see Chinese suppliers opening plants in Europe, it is more likely to assume, at least in the short-term, that Chinese brands will rely on the footprint and technologies of local suppliers.

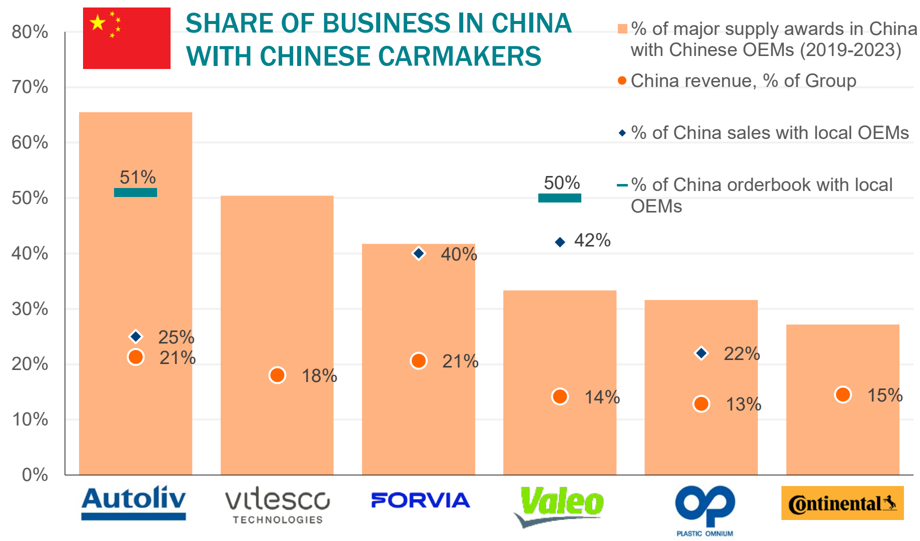
Not all suppliers are performing at the same level when it comes to growing their exposure to Chinese brands and in Europe, we see Forvia and Autoliv as leading the pack in this regard.

The passive safety market is a natural area where we expect Chinese OEMs to look for high-quality international partners given the importance of safety ratings and the reputational risk involved.

Forvia on the other hand is benefitting from a close relationship with BYD, which continues to gain market share in the local Chinese market. Forvia is the key supplier of Seating solutions for BYD and we see potential for Hella to benefit as well from this close relationship potentially in the lighting business.

Areas where it has been more difficult for suppliers to compete with their Chinese peers are ADAS and powertrain, where the local competition is fierce on both technology and costs. For this reason, we see Valeo, Conti and Vitesco as relatively worse positioned to increase their presence with Chinese carmakers.

Figure 26: Exposure of European suppliers to Chinese carmakers



Source: BNP Paribas Exane estimates, Marklines

9. All tyremakers downgraded volumes guidance, what's next?

Tyremakers results season was not as eventful as for suppliers and played out largely in-line with consensus expectations. Tyremakers' results were supported by good resilience on price/mix while volumes often disappointed and remained generally under pressure for most players.

We also saw all tyremakers revise down their volumes forecast for 2023 as demand fails to pick up and inventories remain elevated in some segments of the market and particularly in Standard and Winter.

The guidance revisions we have seen here have for this reason also been relatively disappointing with slightly better pricing offset by expectations of weaker volumes and a deteriorating FX environment which is weighting on both topline and margins for tyremakers.

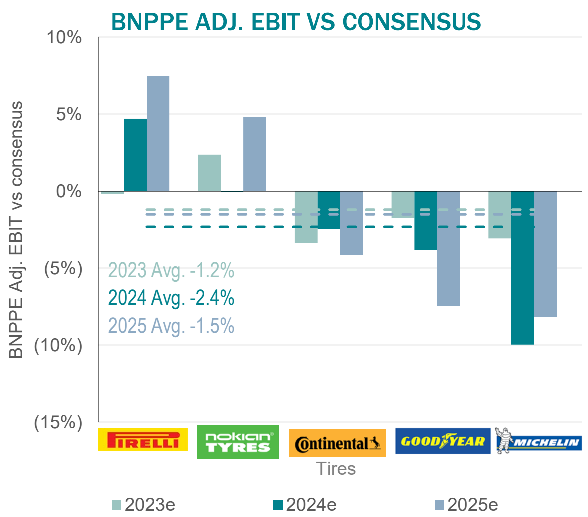
Our view remains that a pick-up in sales volumes remains unlikely as long as prices stay at the current exceptionally elevated level. As we lap easier comps in H2 the decline in volumes should ease but we don't see a high likelihood of a recovery in replacement volumes.

Looking at the H2 we expect to see prices start to come under pressure as we both lap tougher YoY comps and as the impact of OE indexation clauses become more visible.

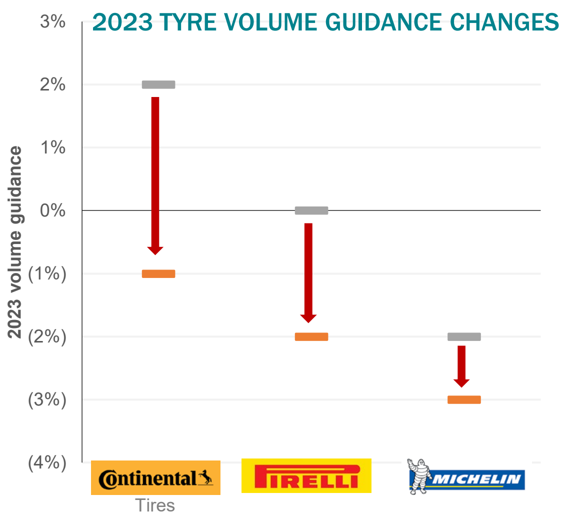
We are broadly in-line now with consensus for 2023 but we remain more conservative especially on topline in 2024e and beyond as we continue to see a pricing normalization as inevitable.

Figure 27: We see limited downside to consensus on tyres on 2023

Downside to consensus in tyres more limited after pricing resilience and negative consensus revisions

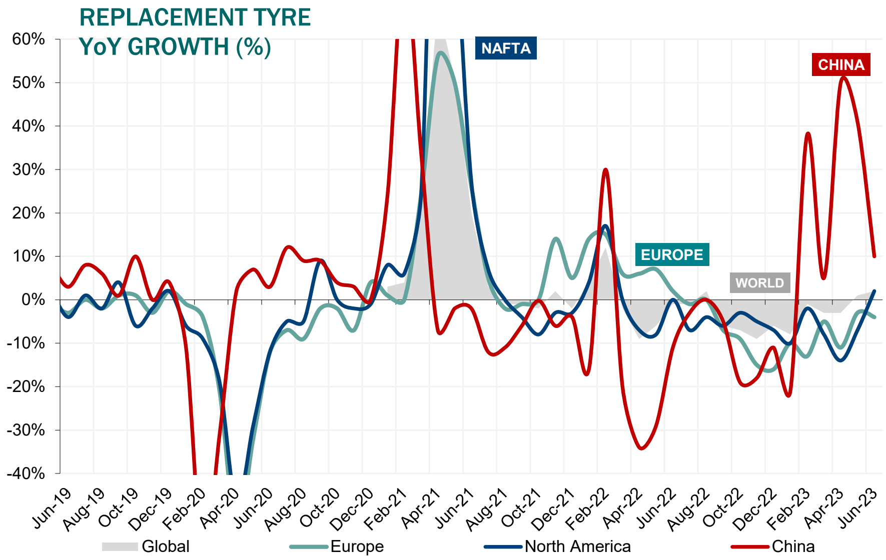


Michelin, Conti and Pirelli downgraded their volumes expectations for 2023e



Source: BNP Paribas Exane estimates, Visible Alpha

Figure 28: Replacement volumes remain weak in US and Europe



Source: BNP Paribas Exane estimates, Michelin monthly tyres data

10. Tyremakers pricing holding up, temporary or structural?

The Q2 results season highlighted that pricing for the premium carmakers continues to hold up despite destocking, weak demand, and rising competition.

Investors often ask us whether tyremakers will be able to hold on to the current level of pricing even as raw-mat costs begin to ease. Our view is that pricing will inevitably come under pressure over the course of the coming quarters.

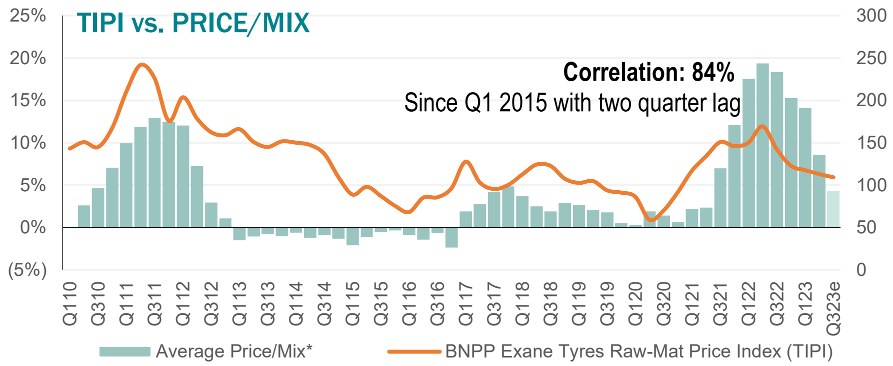
The current stand-off between dealers unwilling to order new inventories at the current pricing level and tyremakers unwilling to lower prices will inevitably be broken at some point by one of the Tier-1s starting to discount.

Inflationary cycles have happed in the past and there is no historical evidence suggesting that tyremakers are able to hold on to price increases in a deflationary environment.

This does not mean that we expect earnings to come under pressure, we actually model a margin expansion for most players in the coming years thanks to lower costs, but it does mean that sales growth is likely to disappoint against expectations.

In H2 this year we will start to see pricing growth enter negative territory due to the indexation effect on OE volumes. And we expect replacement pricing to follow in 2024e as long as raw-mat prices continue to ease.

Figure 29: No historical evidence suggests pricing resilience in a deflationary environment for tyremakers



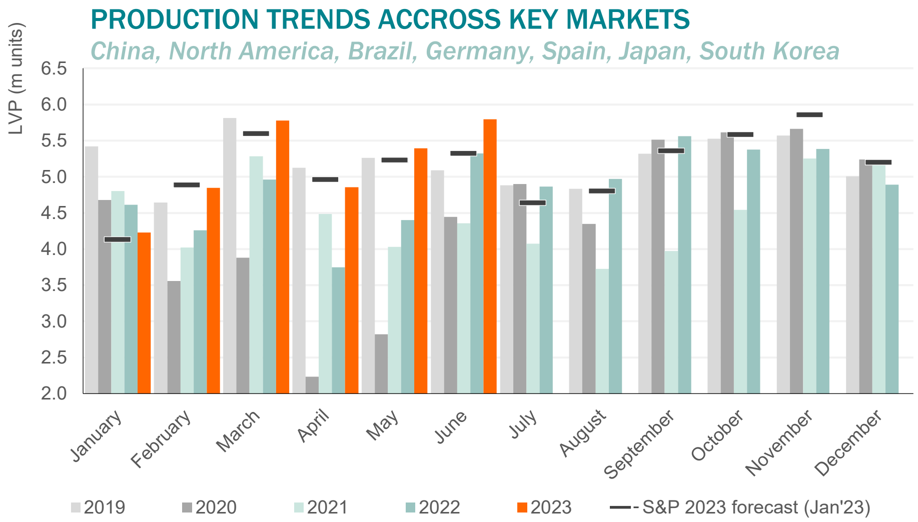
*Source: BNP Paribas Exane estimates; * Before Q1'17 Price/Mix average only includes Michelin and Goodyear*

Latest updates on production

Since Q4'22 production rates have started to pick up across most markets globally. The aftermath of the reopening in China distorted the picture at the beginning of the year, but since then we have seen S&P constantly upgrading its volume forecast for the year.

We remain optimistic about the outlook for production volumes globally as we explained in our recent report: GLOBAL AUTOS: The Highway to 100 (m units)

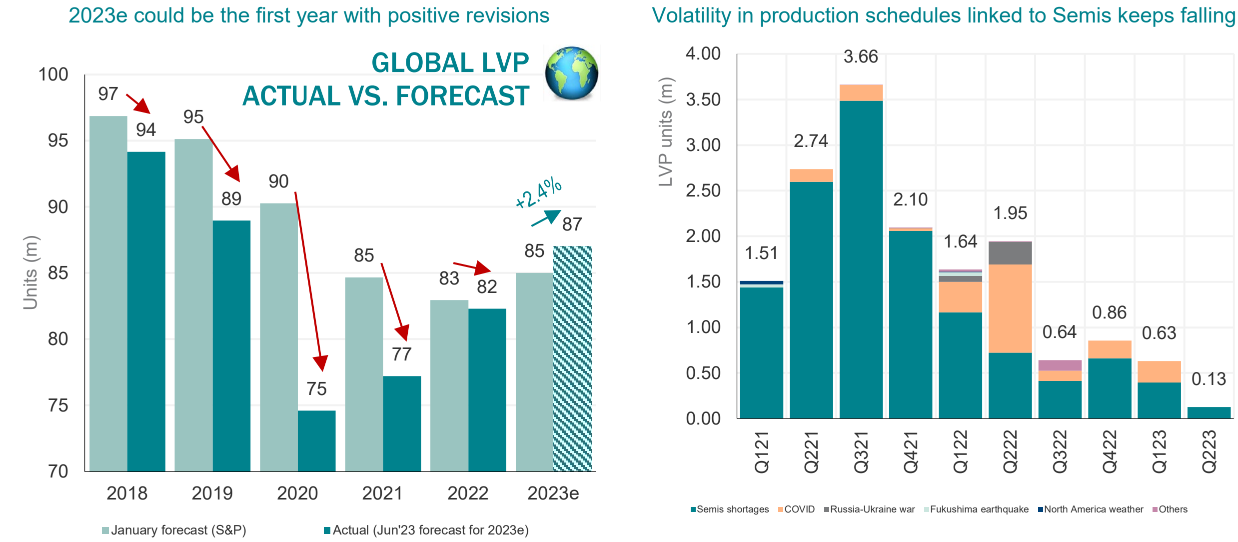
Figure 30: So far, so good – Monthly production data ytd in-line or better than expectations



Source: BNP Paribas Exane estimates, S&P

Production is finally also becoming more predictable with fewer supply chain constraints supporting a recovery in volumes. This has been a consistent message from suppliers over the course of the Q2 results season with corporates saying that disruption linked to shortages peaked in March and has decreased significantly since then.

Figure 31: Global production is finally recovering, volatility in production continues to fall



Source: BNP Paribas Exane estimates, S&P

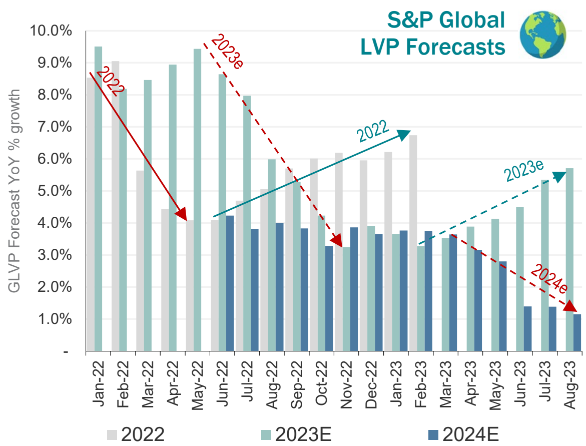
Given the positive revisions of the last few months, S&P's forecast for 2023e GLVP growth is now broadly in-line with ours at 5.7%. (BNPPE: 6.0%). Worth noting that the current S&P forecast does not account for the impact of the UAW strikes in North America. But as we explain on page 16, we expect the impact of the strikes to be manageable under most circumstances.

While the upgrades to 2023e have been positive and consistent we have seen S&P lower its expectations in terms of growth for 2024e and beyond. This conservative view about the sustainability of the production recovery beyond the current year is not new and has happened before for the 2022 and 2023 forecasts.

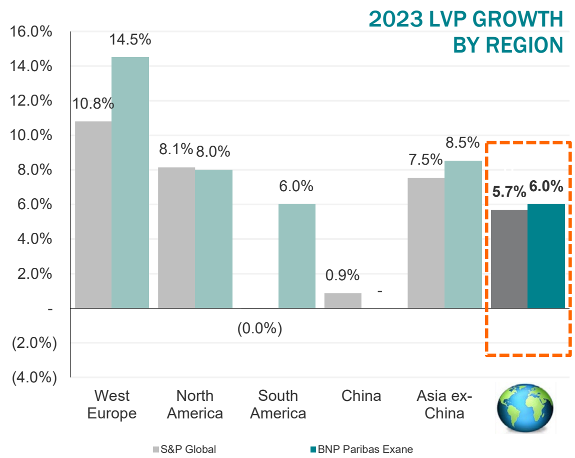
We continue to believe that a multi-year recovery cycle for global volumes lays ahead of us thanks to a synchronized recovery of all three major regions and a technology driven push to renew the current fleet of vehicles.

Figure 32: Data and message from companies continues to support our positive view on production, but scepticism around the sustainability of the recovery remains high

We expect 2023 LVP estimates revisions to follow a similar path to the one seen for the 2022 forecast last year

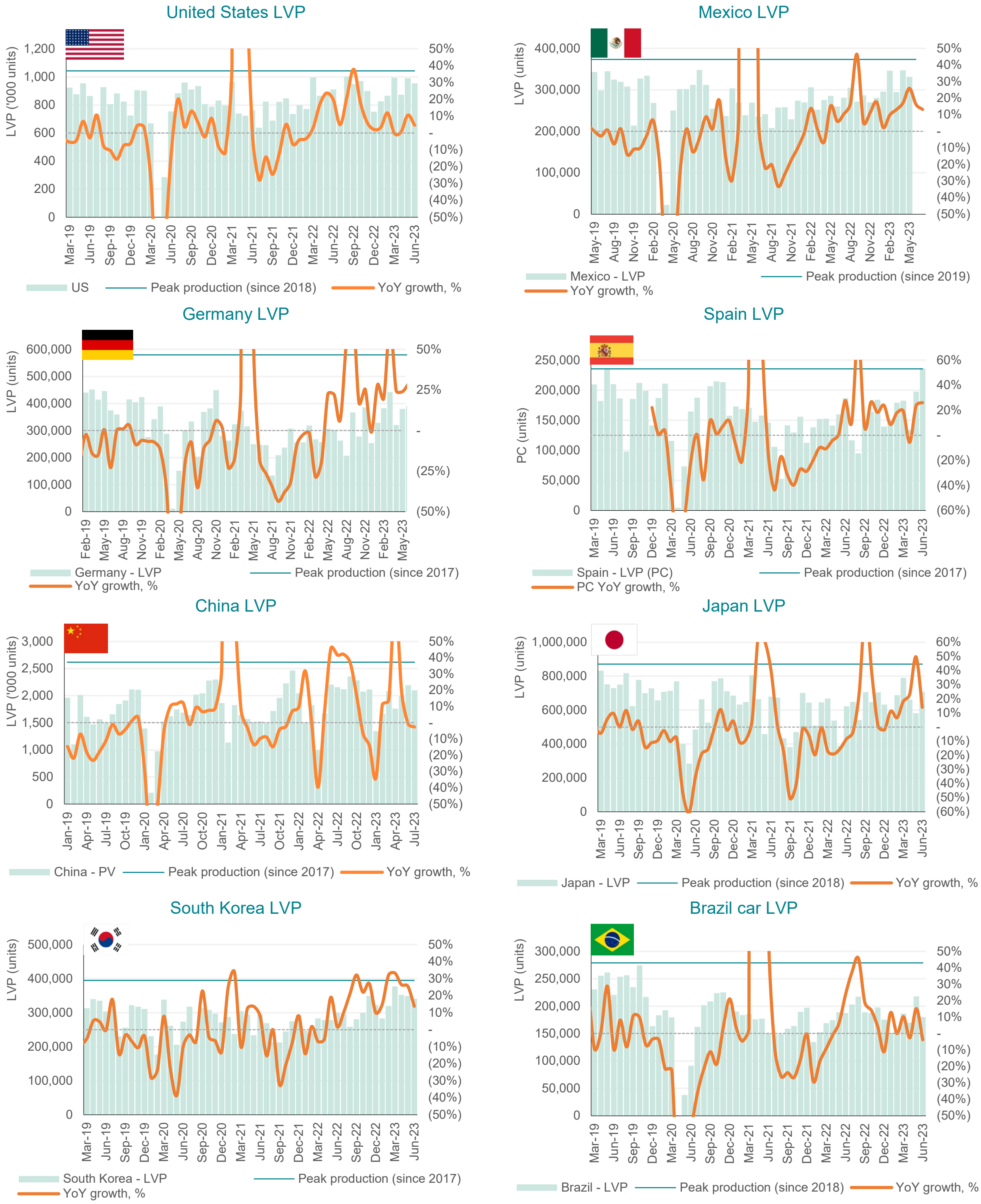


After several upgrades, S&P's forecast for 2023e is now broadly in-line with our own GLVP estimates



Source: BNP Paribas Exane estimates, S&P

Figure 33: Monthly production trends across key automotive markets globally



Source: CPCA, MotorIntelligence, JAMA, ANFAC, ANFAVEA, SMMT, VDIK, INEGI

Production Tables

Figure 34: S&P latest GLVP forecast remains conservative beyond 2023

		BNPPP Exane				S&P Global (August update)				BNPP Exane vs. IHS , %			
Units (m)	2022	2023E	2024E	2025E	2026E	2023E	2024E	2025E	2026E	2023E	2024E	2025E	2026E
W.EU	9.9	11.3	11.5	12.0	12.6	11.2	11.0	11.0	10.8	1.1%	4.9%	9.2%	16.4%
North America	14.3	15.4	16.0	16.7	17.3	15.5	15.9	16.4	16.7	(0.1%)	0.8%	1.8%	3.4%
LATAM	2.8	3.0	3.1	3.2	3.3	2.8	3.0	3.3	3.5	6.0%	2.3%	(2.5%)	(6.0%)
China	26.2	26.2	26.5	27.9	29.3	26.6	28.1	29.5	30.7	(1.8%)	(5.4%)	(5.7%)	(4.6%)
Japan/Korea	11.1	12.5	12.9	8.8	9.0	12.5	11.6	11.4	10.9	0.1%	10.9%	(23.0%)	(17.7%)
RoW	18.1	18.8	19.4	24.5	25.2	12.1	12.1	12.6	13.3	56.2%	61.1%	94.6%	89.4%
Global	**82.3**	**87.3**	**89.5**	**93.0**	**96.6**	**87.0**	**88.0**	**90.5**	**92.3**	**0.3%**	**1.7%**	**2.8%**	**4.6%**
Global ex-China	56.2	61.1	62.9	65.2	67.3	60.4	59.9	61.0	61.6	1.2%	5.0%	6.9%	9.2%
W.EU	5.0%	14.5%	2.0%	4.0%	5.0%	10.8%	(1.0%)	(0.2%)	(0.5%)	3.7%	3.0%	4.2%	5.5%
NAFTA	9.6%	8.0%	3.5%	4.5%	3.5%	8.1%	2.5%	3.5%	1.9%	(0.1%)	1.0%	1.0%	1.6%
LATAM	8.4%	6.0%	3.0%	3.0%	3.0%	(0.0%)	6.7%	8.0%	6.9%	6.0%	(3.7%)	(5.0%)	(3.9%)
China	6.4%	-	1.5%	5.0%	5.0%	0.9%	5.3%	5.3%	3.9%	(0.9%)	(3.8%)	(0.3%)	1.1%
Japan/Korea	2.2%	12.7%	3.0%	2.0%	2.0%	12.3%	(7.0%)	(2.0%)	(4.5%)	0.4%	10.0%	4.0%	6.5%
RoW	8.3%	4.4%	3.1%	3.3%	2.9%	1.8%	(0.1%)	4.4%	5.7%	2.6%	3.2%	(1.1%)	(2.8%)
Global	**6.6%**	**6.0%**	**2.5%**	**4.0%**	**3.8%**	**5.7%**	**1.1%**	**2.9%**	**2.0%**	**0.3%**	**1.4%**	**1.1%**	**1.8%**
Global ex-China	6.8%	8.8%	3.0%	3.5%	3.3%	7.9%	(0.8%)	1.8%	1.1%	0.9%	3.8%	1.8%	2.3%

Source: BNP Paribas Exane estimates, S&P

Figure 35: Latest S&P revisions puts their forecast broadly in-line with ours on 2023e

S&P Forecast		Production (NEW)				Production (prev est)				Change, %			
Units (m)	2021	2022	2023E	2024E	2025E	2022	2023E	2024E	2025E	2022	2023E	2024E	2025E
Europe	15.9	15.8	17.5	17.4	17.3	15.8	17.4	17.3	17.3	(0.0%)	0.6%	0.5%	0.3%
North America	13.0	14.3	15.5	15.9	16.4	14.3	15.5	15.8	16.4	-	(0.1%)	0.0%	(0.0%)
LATAM	2.6	2.8	2.8	3.0	3.3	2.8	2.8	3.0	3.2	-	(0.3%)	0.5%	0.5%
China	24.6	26.4	26.6	28.1	29.5	26.4	26.6	28.1	29.6	-	0.3%	(0.1%)	(0.1%)
Japan/Korea	10.9	11.1	12.5	11.6	11.4	11.1	12.4	11.6	11.4	-	1.1%	0.2%	0.3%
RoW	10.2	11.9	12.1	12.1	12.6	11.9	12.0	12.1	12.6	-	0.3%	(0.2%)	(0.2%)
Global	**77.2**	**82.3**	**87.0**	**88.0**	**90.5**	**82.3**	**86.7**	**87.9**	**90.5**	**(0.0%)**	**0.4%**	**0.1%**	**0.1%**
Global ex-China	52.6	55.9	60.4	59.9	61.0	55.9	60.1	59.8	60.9	(0.0%)	0.4%	0.2%	0.1%
Europe	(4.1%)	(0.4%)	10.8%	(1.0%)	(0.2%)	(0.4%)	10.1%	(0.9%)	0.1%	(0.0%)	0.6%	(0.0%)	(0.2%)
North America	0.2%	9.6%	8.1%	2.5%	3.5%	9.6%	8.2%	2.4%	3.6%	-	(0.1%)	0.1%	(0.0%)
LATAM	16.1%	8.4%	(0.0%)	6.7%	8.0%	8.4%	0.3%	5.9%	7.9%	-	(0.3%)	0.8%	0.1%
China	5.3%	7.4%	0.9%	5.3%	5.3%	7.4%	0.6%	5.8%	5.3%	-	0.3%	(0.4%)	0.0%
Japan/Korea	(2.9%)	2.4%	12.3%	(7.0%)	(2.0%)	2.4%	11.1%	(6.2%)	(2.1%)	-	1.2%	(0.8%)	0.1%
RoW	(30.8%)	16.4%	1.8%	(0.1%)	4.4%	16.4%	1.5%	0.4%	4.4%	-	0.3%	(0.5%)	0.0%
Global	**3.5%**	**6.7%**	**5.7%**	**1.1%**	**2.9%**	**6.7%**	**5.3%**	**1.4%**	**2.9%**	**(0.0%)**	**0.4%**	**(0.3%)**	**(0.0%)**
Global ex-China	(5.4%)	6.3%	7.9%	(0.8%)	1.8%	6.3%	7.5%	(0.6%)	1.8%	(0.0%)	0.4%	(0.2%)	(0.1%)

Source: BNP Paribas Exane estimates, S&P

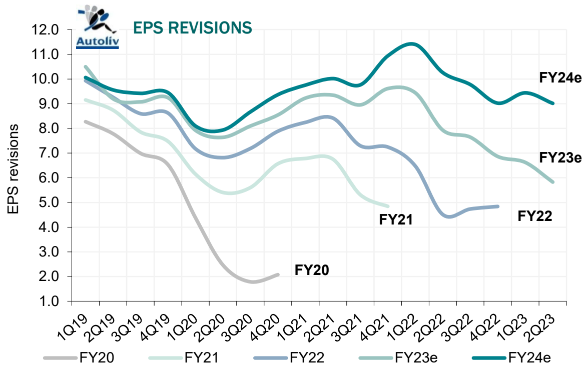
Figure 36: GLVP SUMMARY FORECAST

LVP - Units	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E
WESTERN EUROPE	**13.7**	**12.6**	**12.7**	**13.3**	**14.2**	**14.7**	**14.8**	**14.3**	**13.4**	**10.1**	**9.4**	**9.9**	**11.3**	**11.5**	**12.0**	**12.6**	**13.0**	***14.5%***	***2.0%***	***4.0%***	***5.0%***	***3.0%***
Russia	1.9	2.1	2.1	1.8	1.3	1.2	1.5	1.6	1.6	1.3	1.5	0.5	0.4	0.4	0.4	0.4	0.4	*(15.0%)*	-	-	-	-
EASTERN EUROPE (ex. RUS	4.6	4.6	4.8	5.1	5.4	5.6	5.9	6.1	6.1	5.2	5.0	5.4	5.8	5.9	6.2	6.5	6.8	*6.9%*	*2.7%*	*3.8%*	*5.4%*	*4.3%*
EASTERN EUROPE	**6.5**	**6.7**	**6.8**	**6.9**	**6.7**	**6.8**	**7.4**	**7.7**	**7.7**	**6.5**	**6.5**	**5.9**	**6.2**	**6.4**	**6.6**	**6.9**	**7.2**	***5.0%***	***2.5%***	***3.5%***	***5.0%***	***4.0%***
PAN-EUROPE	**20.2**	**19.3**	**19.5**	**20.1**	**21.0**	**21.5**	**22.2**	**22.0**	**21.2**	**16.6**	**15.9**	**15.8**	**17.6**	**17.9**	**18.6**	**19.6**	**20.2**	***10.9%***	***2.2%***	***3.8%***	***5.0%***	***3.4%***
MIDDLE EAST + AFRICA	**2.3**	**1.8**	**1.5**	**2.0**	**2.0**	**2.3**	**2.6**	**2.6**	**2.0**	**1.8**	**2.1**	**2.2**	**2.4**	**2.5**	**2.6**	**2.7**	**2.9**	***5.0%***	***5.0%***	***5.0%***	***5.0%***	***5.0%***
NORTH AMERICA	**13.1**	**15.4**	**16.2**	**17.0**	**17.5**	**17.8**	**17.1**	**17.0**	**16.3**	**13.0**	**13.0**	**14.3**	**15.4**	**16.0**	**16.7**	**17.3**	**17.8**	***8.0%***	***3.5%***	***4.5%***	***3.5%***	***3.0%***
SOUTH AMERICA	**4.3**	**4.3**	**4.5**	**3.8**	**3.1**	**2.8**	**3.3**	**3.4**	**3.3**	**2.2**	**2.6**	**2.8**	**3.0**	**3.1**	**3.2**	**3.3**	**3.4**	***6.0%***	***3.0%***	***3.0%***	***3.0%***	***3.0%***
Mainland China	17.3	18.2	20.9	22.6	23.7	27.1	27.7	26.6	24.4	23.3	24.6	26.2	26.2	26.5	27.9	29.3	30.7	-	*1.5%*	*5.0%*	*5.0%*	*5.0%*
India	3.6	3.8	3.7	3.6	3.8	4.2	4.5	4.7	4.2	3.3	4.1	5.1	5.4	5.6	5.9	6.0	6.2	*6.0%*	*4.0%*	*4.0%*	*3.0%*	*3.0%*
Japan	7.9	9.4	9.0	9.2	8.7	8.7	9.2	9.2	9.2	7.7	7.5	7.4	8.4	8.6	8.8	9.0	9.0	*14.0%*	*2.0%*	*2.0%*	*2.0%*	*1.0%*
South Korea	4.6	4.5	4.4	4.4	4.5	4.2	4.0	4.0	3.9	3.5	3.4	3.7	4.1	4.3	4.4	4.4	4.4	*10.0%*	*5.0%*	*2.0%*	*1.0%*	-
Thailand	1.4	2.4	2.4	1.9	1.9	1.9	2.0	2.1	2.0	1.4	1.7	1.8	1.9	2.0	2.0	2.0	2.0	*4.0%*	*2.0%*	*2.0%*	*1.0%*	-
Other	2.1	2.4	2.5	2.7	2.6	2.6	2.6	2.6	2.5	1.8	2.3	2.9	2.9	3.0	3.1	3.1	3.1	-	*2.0%*	*3.0%*	-	-
ASIA	**36.9**	**40.7**	**42.9**	**44.4**	**45.2**	**48.7**	**49.9**	**49.2**	**46.2**	**41.0**	**43.6**	**47.1**	**48.9**	**50.0**	**51.9**	**53.7**	**55.5**	***3.8%***	***2.2%***	***3.9%***	***3.5%***	***3.2%***
GLOBAL TOTAL	**76.9**	**81.5**	**84.7**	**87.4**	**88.8**	**93.1**	**95.1**	**94.2**	**89.0**	**74.6**	**77.2**	**82.3**	**87.3**	**89.5**	**93.0**	**96.6**	**99.7**	***6.0%***	***2.5%***	***4.0%***	***3.8%***	***3.3%***
Global ex-China	59.6	63.3	63.8	64.8	65.1	66.0	67.4	67.5	64.5	51.2	52.6	56.2	61.1	62.9	65.2	67.3	69.0	*8.8%*	*3.0%*	*3.5%*	*3.3%*	*2.5%*

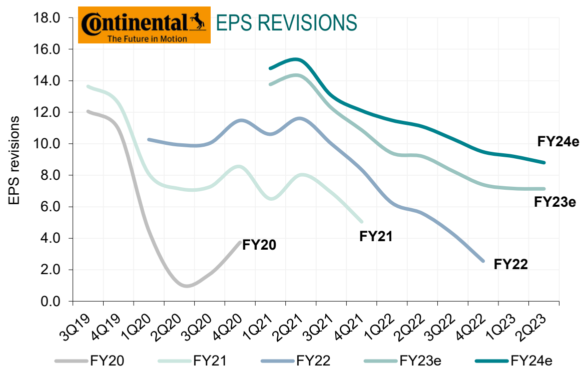
Source: BNP Paribas Exane estimates, S&P

Figure 37: Earnings revision outlook for European suppliers

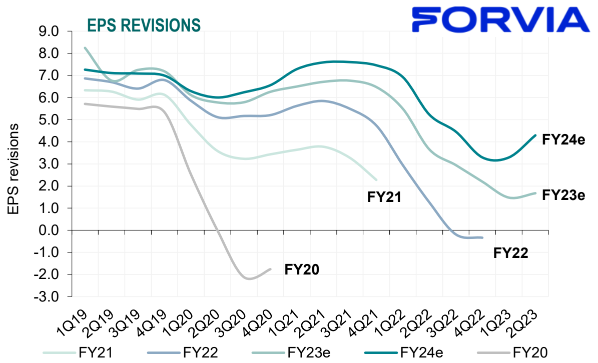
Autoliv



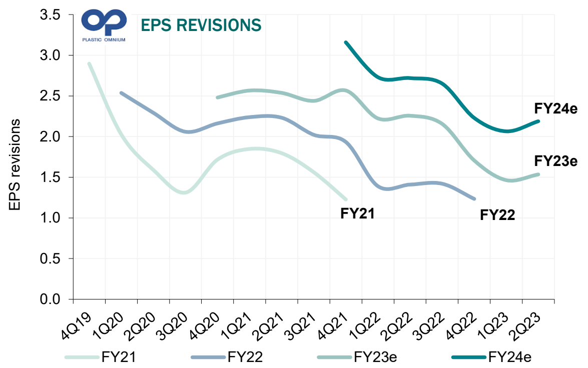
Continental



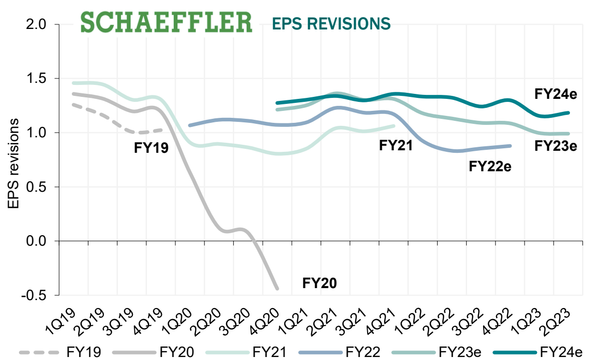
Forvia



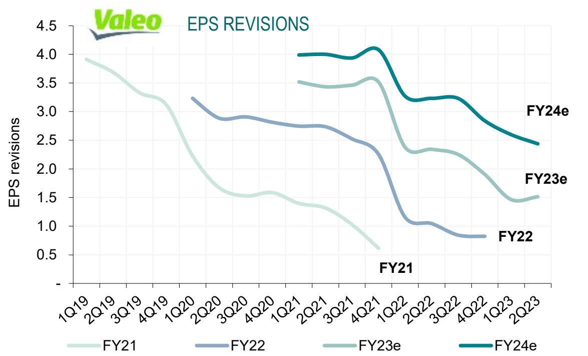
Plastic Omnium



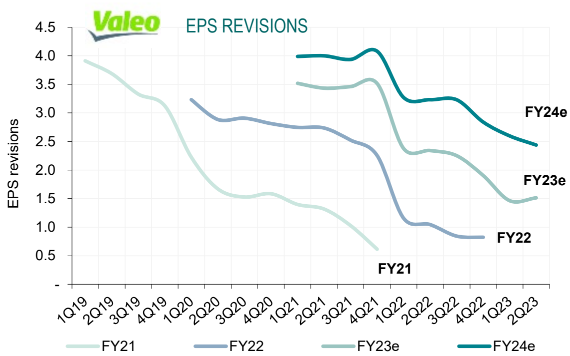
Schaeffler



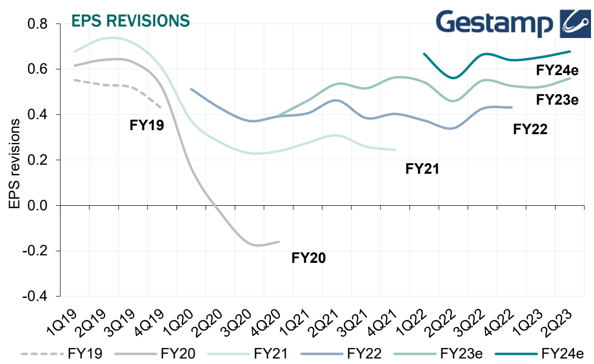
Valeo



Vitesco

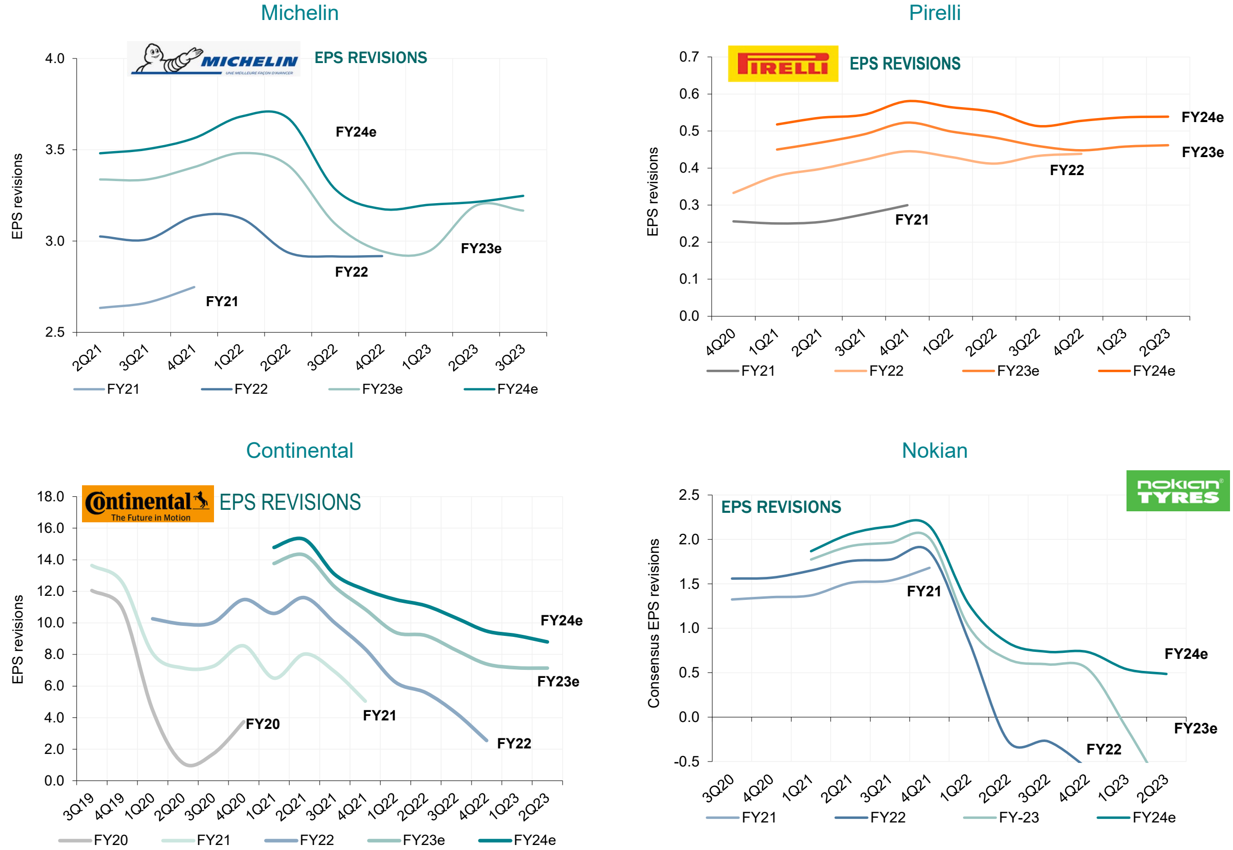


Gestamp



Source: BNP Paribas Exane estimates, Visible Alpha

Figure 38: Earnings revision outlook for European Tyres



Source: BNP Paribas Exane estimates, Visible Alpha

Summary of Valuation of European and US suppliers

Figure 39: Global suppliers comps table

	Rating	TP	Upside	PE Adj.		EV/Sales		EV/EBIT		FCF Yield		DPS Yield	
				2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
European Suppliers				**12.6x**	**7.3x**	**69%**	**61%**	**10.5x**	**7.5x**	**5.1%**	**7.9%**	**3.1%**	**4.5%**
Autoliv	+	125	36%	11.8x	7.3x	90%	82%	9.7x	6.7x	5.0%	10.3%	4.2%	6.8%
Brembo	+	18	39%	12.9x	10.5x	106%	90%	9.7x	7.6x	5.7%	7.9%	3.2%	3.9%
CIE Automotive	=	26.5	(2%)	9.7x	8.5x	139%	127%	10.6x	9.2x	10.0%	9.9%	3.0%	3.3%
Continental	+	90	35%	7.8x	6.7x	49%	46%	7.9x	6.2x	6.3%	8.6%	3.5%	4.2%
Dowlais	-	1.1	1%	6.4x	4.8x	54%	51%	10.3x	8.5x	(0.1%)	4.2%	3.5%	3.4%
Eurogroup	+	7.3	35%	20.0x	12.4x	118%	92%	12.5x	9.3x	(0.9%)	(4.1%)	1.3%	2.2%
Forvia	+	32	61%	12.9x	5.2x	52%	47%	11.2x	7.6x	6.4%	11.2%	0.0%	4.8%
Gestamp	+	6.0	46%	6.3x	4.9x	48%	44%	8.6x	7.0x	6.7%	9.5%	4.3%	6.1%
Plastic Omnium	=	20	21%	9.6x	6.4x	37%	32%	9.2x	6.1x	11.0%	13.2%	2.4%	3.7%
Schaeffler	-	6.5	19%	5.3x	5.1x	49%	47%	7.1x	6.8x	5.0%	11.1%	8.7%	8.0%
Valeo	+	28	55%	15.5x	6.3x	41%	37%	13.3x	7.5x	6.5%	12.2%	2.6%	5.0%
Vitesco	=	75	(5%)	33.2x	9.3x	40%	37%	16.2x	7.5x	(0.7%)	1.0%	0.7%	2.4%
US Suppliers				**19.2x**	**12.7x**	**100%**	**89%**	**12.1x**	**9.5x**	**6.3%**	**8.1%**	**1.1%**	**1.2%**
Adient	-	35	(22%)	20.8x	16.6x	37%	36%	9.7x	8.8x	6.1%	6.0%	0.0%	0.0%
American Axle	=	8	(3%)	33.5x	12.6x	55%	50%	14.2x	11.7x	26.4%	24.9%	0.0%	0.0%
Aptiv	+	140	32%	21.9x	15.6x	165%	146%	15.6x	11.7x	3.3%	4.7%	0.1%	0.8%
BorgWarner	+	56.0	34%	11.0x	9.2x	85%	75%	9.0x	7.4x	3.1%	6.4%	1.3%	1.0%
Dana	=	17	(5%)	19.8x	13.2x	45%	42%	11.0x	9.0x	3.0%	4.4%	2.2%	2.2%
Gentex	+	40	18%	18.8x	14.8x	315%	276%	14.7x	11.5x	3.8%	5.5%	1.4%	1.6%
Lear	+	190	23%	13.1x	8.9x	46%	40%	9.6x	6.9x	5.8%	9.0%	2.0%	2.0%
Magna	=	56	(6%)	11.3x	8.9x	49%	45%	9.9x	7.8x	2.3%	8.3%	3.1%	3.2%
Visteon	+	195	32%	22.7x	14.6x	99%	88%	15.0x	10.5x	3.1%	3.7%	0.0%	0.0%
Global Tyres				**11.8x**	**10.6x**	**79%**	**78%**	**10.6x**	**8.6x**	**2.5%**	**2.0%**	**3.1%**	**3.5%**
Continental	+	90	35%	7.8x	6.7x	49%	46%	7.9x	6.2x	6.3%	8.6%	3.5%	4.2%
Goodyear	=	12	(7%)	NC	14.3x	58%	56%	16.2x	11.2x	1.5%	2.4%	0.0%	0.0%
Michelin	-	25	(12%)	8.3x	9.4x	88%	88%	7.5x	7.5x	9.0%	11.0%	5.6%	4.9%
Nokian Renkaat	-	7.5	(6%)	22.7x	15.8x	98%	103%	14.8x	12.5x	(15.5%)	(25.9%)	2.2%	3.2%
Pirelli	+	6	31%	8.2x	6.8x	102%	98%	6.8x	5.8x	11.3%	14.0%	4.0%	5.1%

Source: BNP Paribas Exane estimates

Summary of BNPP Exane Estimates vs. Consensus

Figure 40: We are ahead of consensus for most Supplier names

		Revenue			EBIT			EPS		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
Autoliv	Exane	10,519	11,342	11,979	981	1,379	1,521	6.58	10.78	14.47
	Consensus	10,326	11,099	11,716	905	1,239	1,387	5.83	9.01	11.17
	% Diff.	**2%**	**2%**	**2%**	**8%**	**11%**	**10%**	**13%**	**20%**	**30%**
Brembo	Exane	4,045	4,546	4,970	442	540	611	1.02	1.24	1.42
	Consensus*	3,978	4,214	4,500	435	483	535	0.99	1.10	1.23
	% Diff.	**2%**	**8%**	**10%**	**2%**	**12%**	**14%**	**3%**	**13%**	**16%**
Conti Auto	Exane	21,037	22,745	24,427	524	990	1,422	-	-	-
	Consensus	20,753	22,263	23,850	432	758	1,117	-	-	-
	% Diff.	**1%**	**2%**	**2%**	**21%**	**31%**	**27%**	-	-	-
CIE Automotive	Exane	4,019	4,222	4,344	525	580	613	2.73	3.10	3.50
	Consensus	4,173	4,407	4,603	521	564	602	2.68	2.94	3.23
	% Diff.	**(4%)**	**(4%)**	**(6%)**	**1%**	**3%**	**2%**	**2%**	**5%**	**8%**
Dowlais	Exane	5,003	5,139	5,373	356	400	453	-0.02	0.00	0.04
	Consensus	4,862	5,017	5,202	345	404	473	-0.02	0.03	0.07
	% Diff.	**3%**	**2%**	**3%**	**3%**	**(1%)**	**(4%)**	**(15%)**	**(87%)**	**(50%)**
Eurogroup	Exane	903	1,215	1,586	85	120	164	0.25	0.43	0.61
	Consensus*	908	1,184	1,551	82	111	154	0.25	0.38	0.55
	% Diff.	**(1%)**	**3%**	**2%**	**4%**	**8%**	**6%**	**(1%)**	**13%**	**11%**
Forvia	Exane	27,472	29,090	31,085	1,605	2,020	2,411	1.23	3.18	4.95
	Consensus	27,202	28,491	30,389	1,587	1,914	2,257	1.67	3.28	4.77
	% Diff.	**1%**	**2%**	**2%**	**1%**	**6%**	**7%**	**(27%)**	**(3%)**	**4%**
Gestamp	Exane	12,755	13,725	14,432	705	868	961	0.59	0.84	0.96
	Consensus	12,498	13,352	14,160	716	800	889	0.56	0.68	0.78
	% Diff.	**2%**	**3%**	**2%**	**(1%)**	**9%**	**8%**	**6%**	**24%**	**22%**
Plastic Omnium	Exane	10,777	11,521	12,298	435	604	729	1.55	2.41	3.11
	Consensus	10,426	10,833	11,576	426	560	656	1.54	2.19	2.63
	% Diff.	**3%**	**6%**	**6%**	**2%**	**8%**	**11%**	**1%**	**10%**	**18%**
Schaeffler	Exane	17,025	17,693	18,401	1,169	1,208	1,359	1.03	1.08	1.24
	Consensus	16,777	17,322	17,972	1,136	1,276	1,339	0.99	1.18	1.27
	% Diff.	**1%**	**2%**	**2%**	**3%**	**(5%)**	**1%**	**4%**	**(9%)**	**(3%)**
Valeo	Exane	22,858	24,779	27,008	900	1,318	1,825	1.57	3.01	4.48
	Consensus	22,658	24,187	26,055	839	1,159	1,452	1.51	2.44	3.25
	% Diff.	**1%**	**2%**	**4%**	**7%**	**14%**	**26%**	**4%**	**23%**	**38%**
Vitesco	Exane	9,536	10,025	10,956	327	561	720	3.67	9.53	12.31
	Consensus	9,549	9,693	10,193	310	474	613	3.76	8.19	11.11
	% Diff.	**(0%)**	**3%**	**7%**	**6%**	**18%**	**18%**	**(2%)**	**16%**	**11%**
European Suppliers		**1%**	**3%**	**3%**	**4%**	**9%**	**12%**	**0%**	**11%**	**15%**
Continental (Group)	Exane	42,342	43,838	45,455	2,629	3,265	3,871	7.73	9.37	11.43
	Consensus	42,502	44,012	45,906	2,600	3,020	3,523	7.14	8.80	10.63
	% Diff.	**(0%)**	**(0%)**	**(1%)**	**1%**	**8%**	**10%**	**8%**	**7%**	**8%**
Conti Tyres	Exane	14,102	13,900	13,695	1,811	1,891	1,966	-	-	-
	Consensus	14,491	14,582	14,878	1,874	1,938	2,051	-	-	-
	% Diff.	**(3%)**	**(5%)**	**(8%)**	**(3%)**	**(2%)**	**(4%)**	-	-	-
Goodyear	Exane	20,302	20,684	20,755	728	1,034	1,128	-0.20	0.90	1.25
	Consensus	20,612	21,002	21,266	741	1,075	1,219	-0.43	0.90	1.25
	% Diff.	**(2%)**	**(2%)**	**(2%)**	**(2%)**	**(4%)**	**(7%)**	**53%**	**(0%)**	**0%**
Michelin	Exane	28,395	27,522	27,012	3,348	3,226	3,461	3.20	2.83	3.12
	Consensus	28,738	29,258	30,007	3,454	3,600	3,794	3.18	3.27	3.46
	% Diff.	**(1%)**	**(6%)**	**(10%)**	**(3%)**	**(10%)**	**(9%)**	**1%**	**(13%)**	**(10%)**
Nokian Renkaat	Exane	1,328	1,555	1,639	88	128	166	0.35	0.50	0.67
	Consensus	1,340	1,490	1,619	86	128	158	-0.89	0.49	0.64
	% Diff.	**(1%)**	**4%**	**1%**	**2%**	**(0%)**	**5%**	**140%**	**4%**	**5%**
Pirelli	Exane	6,695	6,770	6,805	1,000	1,131	1,270	0.45	0.58	0.70
	Consensus	6,673	6,885	7,206	1,002	1,080	1,185	0.46	0.54	0.63
	% Diff.	**0%**	**(2%)**	**(6%)**	**(0%)**	**5%**	**7%**	**(2%)**	**7%**	**12%**
Global Tyres		**(1%)**	**(4%)**	**(7%)**	**(3%)**	**(5%)**	**(5%)**	**15%**	**1%**	**3%**

*Refinitiv I/B/E/S Consensus

Source: BNP Paribas Exane estimates, Visible Alpha, Refinitiv

DISCLOSURE APPENDIX

Analyst Certification

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