

Cost excellence for automotive suppliers in challenging times

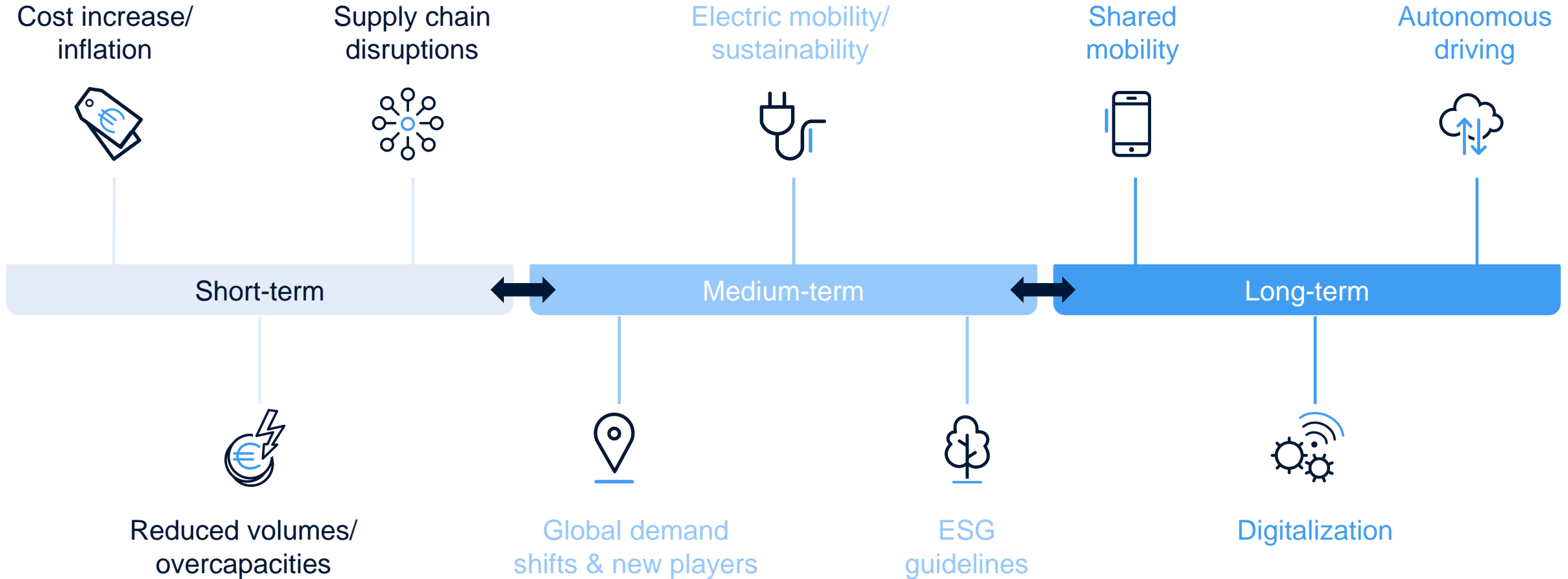
FTI-Andersch

August 2023



Suppliers face numerous challenges

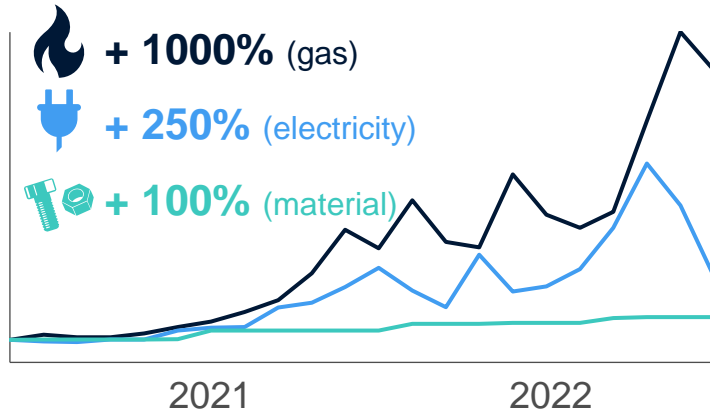
Important trends



Exploding costs, volumes declining and high volatility

Short-term challenges

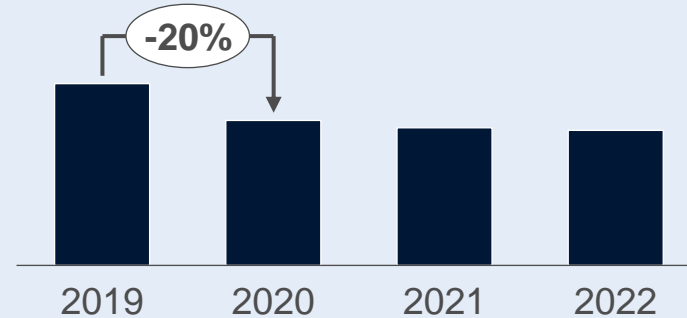
Cost increases



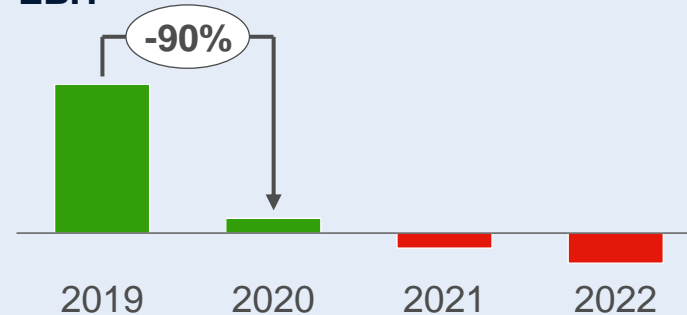
- Huge cost increases in last two years (raw materials, energy, labor)
- Suppliers' P&L and liquidity heavily affected
- OEMs keep or improve profitability via price increases and product mix shifts

Supplier financial performance (illustrative)

Sales

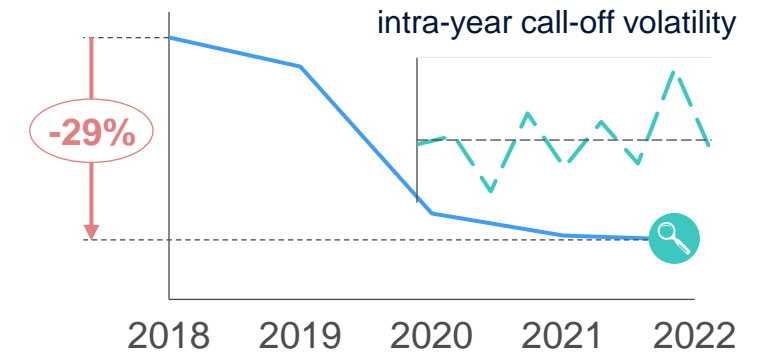


EBIT



Volume reduction and volatility

European LV production (mn vehicles)



- Volumes in 2023 still much lower than before start of covid-19
- Many suppliers suffer from overcapacities
- Still ongoing supply chain disruptions lead to high call-off volatility

Automotive suppliers are facing huge cost increases and substantial volume reductions/volatilities

We have a proven program to achieve cost excellence

Key functions and selected levers

Operations



Research and development

- Global footprint/ consolidation of locations
- Project portfolio review
- Project management
- Make-or-buy/ partnering
- Design-to-cost



Procurement

- Demand control
- Supplier portfolio review
- Supplier management
- Competitive tendering
- Supplier cost analyses
- Improvement of Ts&Cs



Logistics

- Demand forecasting
- Footprint optimization
- Inventory management
- Automation
- Make-or-buy
- Optimized transportation



Manufacturing

- Global footprint
- Make-or-buy
- Operational efficiency (OEE and OLE)⁽¹⁾
- Quality improvement
- Maintenance optimization

Other functions



Finance / Controlling

- Capital cost reduction
- Hedging & insurances
- Process improvement
- Automation
- Shared service centre



IT

- Standardization SW/HW
- De-specification
- Make-or-buy
- Review of IT projects
- Capacity of IT teams



HR

- Compensation review
- Skills & qualifications
- Shared service centre
- In-/ outsourcing
- Offices & facilities



Sales

- Discontinuation of loss making projects
- Price negotiations
- Sales team organization
- Global footprint

(1) OLE = Overall Labour Effectiveness; OEE = Overall Equipment Effectiveness

Global turnaround program for automotive supplier

We supported the development & implementation of a highly successful turnaround

Initial Situation

Our client develops and manufactures chassis components/ systems (tier 1 supplier).

The company has sales and production in all major automotive markets (Europe, North America, South America, China).

The company faces losses due to a number of reasons (e.g. pricing, cost management, organizational deficiencies, operational problems).

The company initiated an own turnaround plan, but is not happy with the first results.

Project objectives

- Review of turnaround plan
- Development of full potential program based on realistic assumptions
- Implementation support

Our Role

Review of turnaround plan

- Evaluate company status and planned initiatives, involving the management of all global sites and all functions (marketing & sales, development, purchasing, production & logistics)
- Identify improvement potentials
- Check key assumptions of turnaround plan and derive areas of improvement

Development of full potential program

- Specify improvement initiatives
 - Product-market strategy
 - Production footprint
 - Material cost improvement
 - SG&A improvement
 - Company processes & responsibilities
- Quantify impact of improvement initiatives (P&L, liquidity)
- Identify implementation requirements and resources
- Define implementation organization and plan (timeline, responsibilities, dependencies)

Implementation support

- Track progress, remove roadblocks
- Prepare and drive implementation concepts for high-impact initiatives

Achievements



Comprehensive turnaround program covering all sites and functions. Strong management commitment based on close involvement into the program and ambitious, but realistic assumptions



Product-market strategy: Additional profitable sales (new clients developed, new products offered) and discontinuation of loss-making business



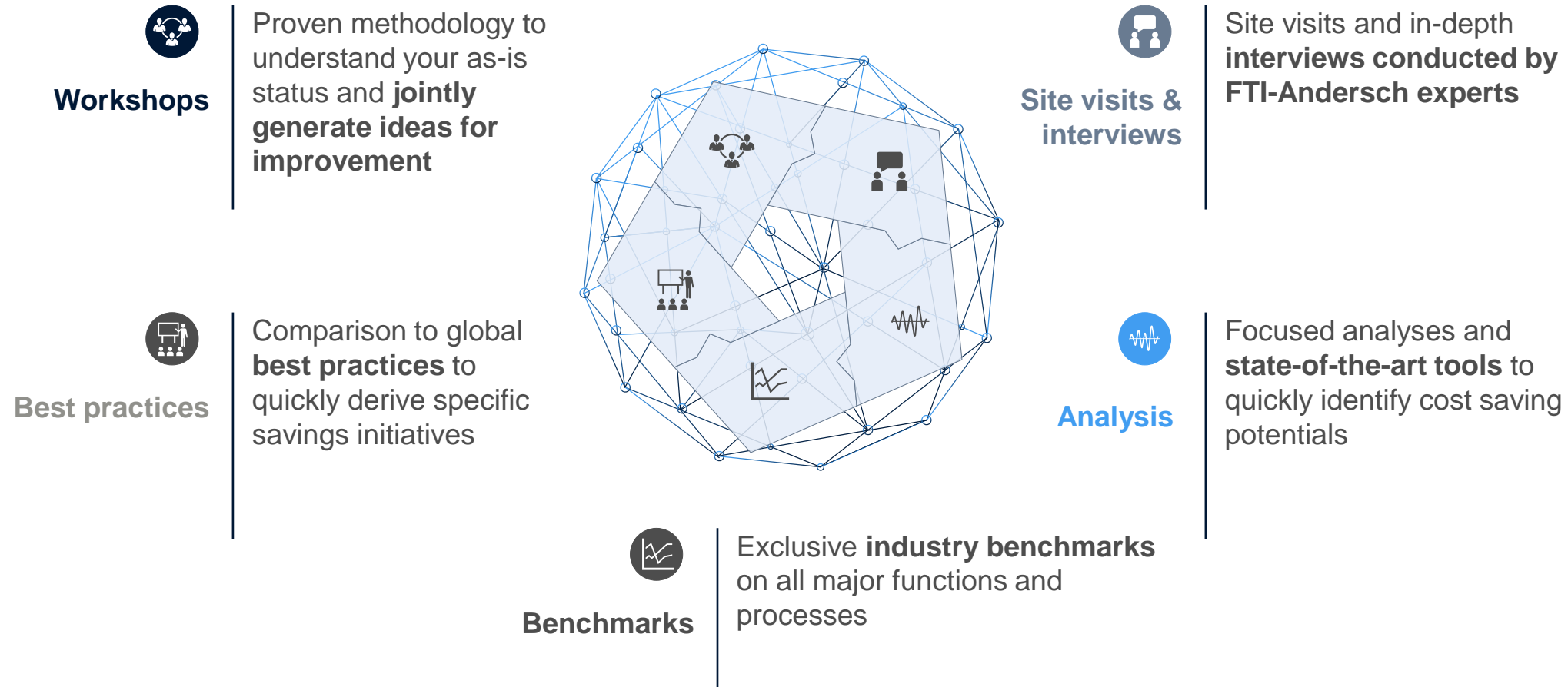
Production: Consolidation of sites and establishment of new site: Cost improved by up to 20%, operational KPIs (quality, logistics) strongly improved



Material and transportation cost reduced by 8% based on supply chain re-design, adaptation/ localization of supplier portfolio, and improved cost understanding when negotiating prices

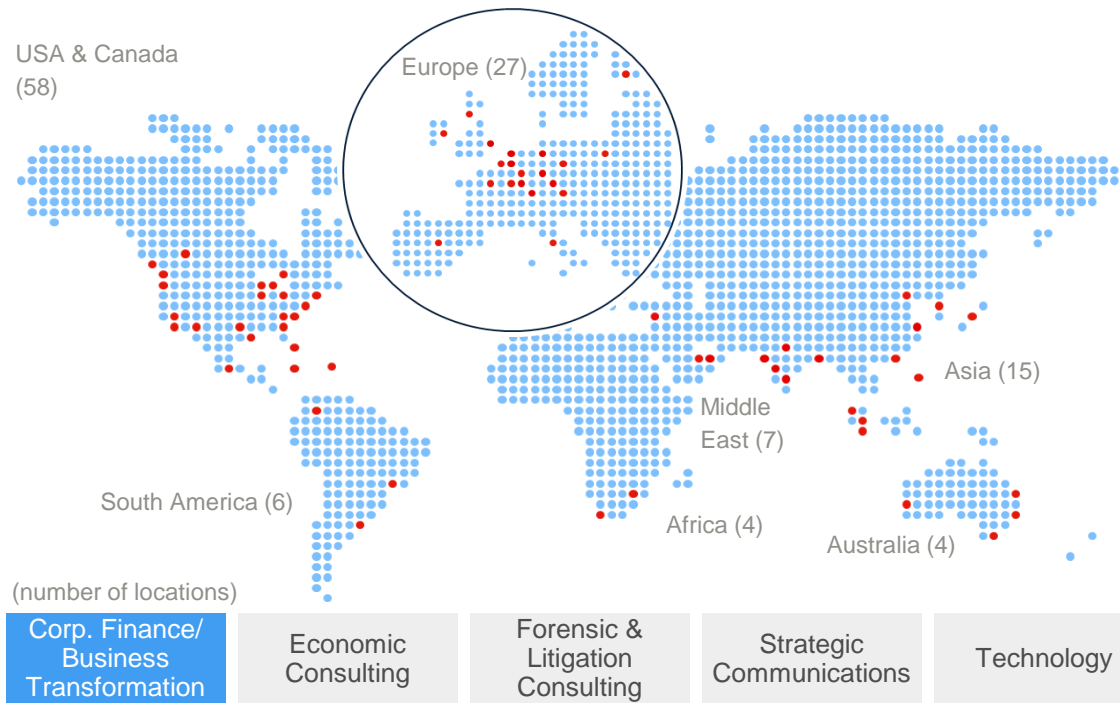
We offer a quick-check to set-up a cost excellence project

Within 3-4 weeks we identify cost reduction potentials, and set-up an improvement program



We are part of a global group with deep automotive expertise

FTI Consulting at a glance



Foundation
1982



121 Locations
88 Cities
30 Countries



+7,500 Employees, of
which **125** at **FTI-Andersch**
in Germany



+700 Partner &
(Industry) experts



Market capitalization
USD bn 5.0



Revenue **USD bn 3.0**
(+9% vs. 2021)



7,800 customers
worldwide



Specialized, globally
organized **automotive team**

Office
locations in
Germany



Service
portfolio



Transformation



Transaction



Turnaround

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