



**OLIVER WYMAN**  
A MARSH BUSINESS

# AN INDUSTRY UNDER SHOCK - TIME TO ACT

Automotive supplier outlook – Oliver Wyman Point-of-View

March 2026



# CONTENT

- 1 State of the Industry**
- 2 Automotive Supplier Financial Benchmarking**
- 3 Deep-dive: Restructuring Indicators**
- 4 Solution Approaches**



**01**

**STATE OF THE INDUSTRY**

# THE AUTOMOTIVE SUPPLIER INDUSTRY IN EUROPE (AND ESPECIALLY GERMANY) IS UNDER SHOCK – IT IS NOT YET TOO LATE TO ACT, BUT THE CLOCK IS TICKING

## 1 Escalating uncertainty

- Rising protectionism
- Increased US-China/US-Europe tensions
- Unpredictable politics fuel uncertainty and restrain consumer demand

## 2 Sustained shift from West to East

- Accelerated vehicle production shift to Asia, especially for EVs
- Relocation of production facilities
- Intense margin pressure in CN for Western and local OEMs

## 3 Continued high cost pressure

- Rising key raw material prices after temporary easing
- OEMs under pressure: Cost programs, rejection of claims
- Regional labor/energy cost variations drive relocations

## 4 Delayed, but intact, transition to e-mobility

- OEMs change strategic objectives
- (Politically induced) uncertainty complicates supplier strategies
- ICE and BEV duality drives unsustainable investment costs for suppliers

## 5 Re-definition of development & product lifecycles

- Shorter life cycles and faster development
- Localization of R&D efforts and brand derivatives

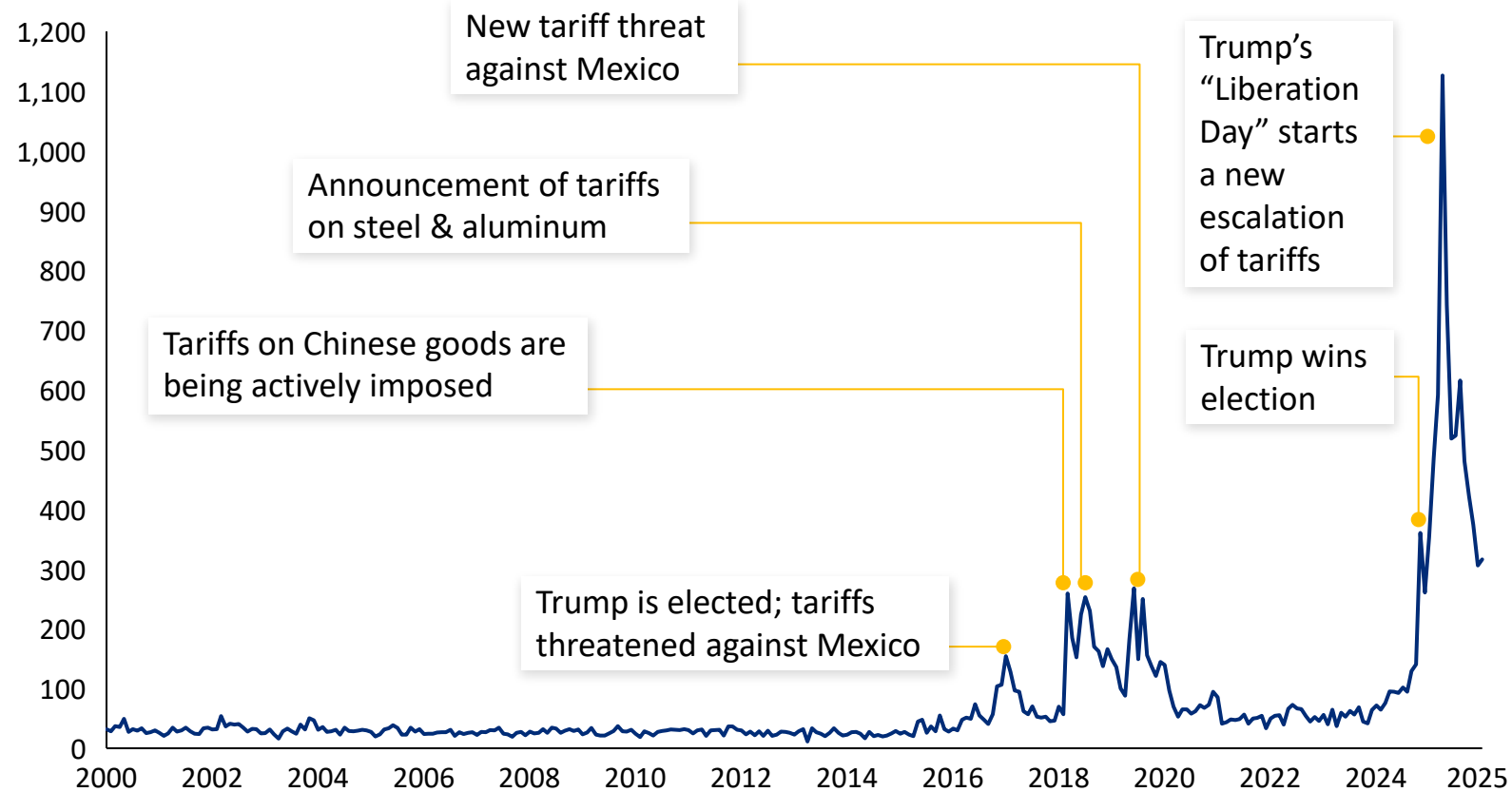
## 6 European supplier landscape under shock

- Record supplier insolvencies in Germany
- Oversupply, need for consolidation
- Ongoing/expected radical changes: relocations and foreign invest, etc.

# HIGH LEVEL OF UNCERTAINTY IN GLOBAL TRADE IS INCREASINGLY DIMINISHING PREDICTABILITY – STAKEHOLDERS MUST THINK IN TERMS OF SCENARIOS

The Trade Policy Uncertainty (TPU) index reached a new high in April 2025

TPU index<sup>1</sup>, monthly averages



## Trade conflicts will increase in the near future



November 2024

The world faces its worst trade wars since the 1930s



November 2024

China files lawsuit with WTO against EU's final EV tariff ruling; analysts urge bloc to show sincerity



April 2025

Trump's Tariffs Are Coming, but at a Cost to U.S. Alliances



January 2026

Global markets on alert as Europe to suspend approval of US trade deal



January 2026

Trump's latest tariffs U-turn is sparking a global market rally — and reviving talk of the 'TACO trade'

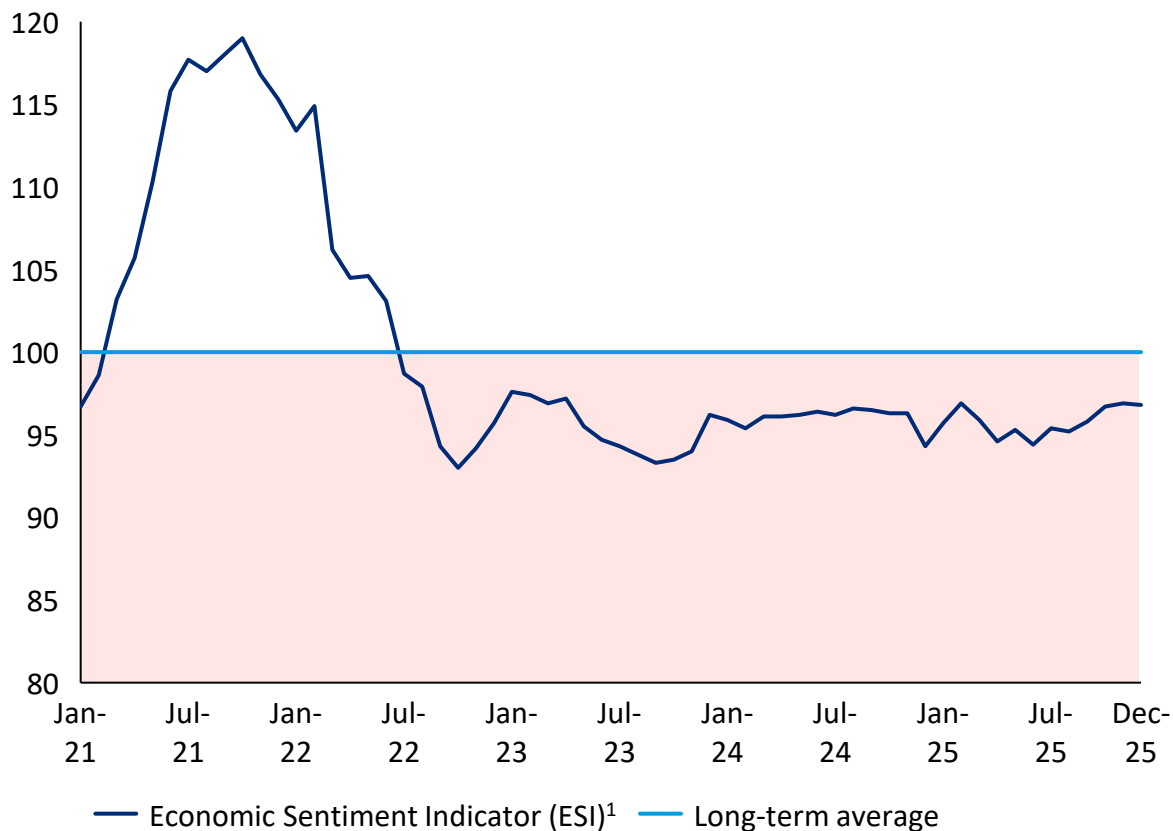
1. The TPU index is based on automated text searches in the electronic archives of seven newspapers. It is calculated by determining the monthly frequency for each newspaper, counted from articles that discuss trade policy uncertainties (as a proportion of the total number of news articles).

Source: TPU Index (Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo), The Economist, Global Times, The New York Times, BBC, CNBC, Oliver Wyman analysis

# CONSUMER CONFIDENCE IN THE EU BELOW LONG-TERM AVERAGE, STRONG REGIONAL DIFFERENCES IN TERMS OF GDP DEVELOPMENT

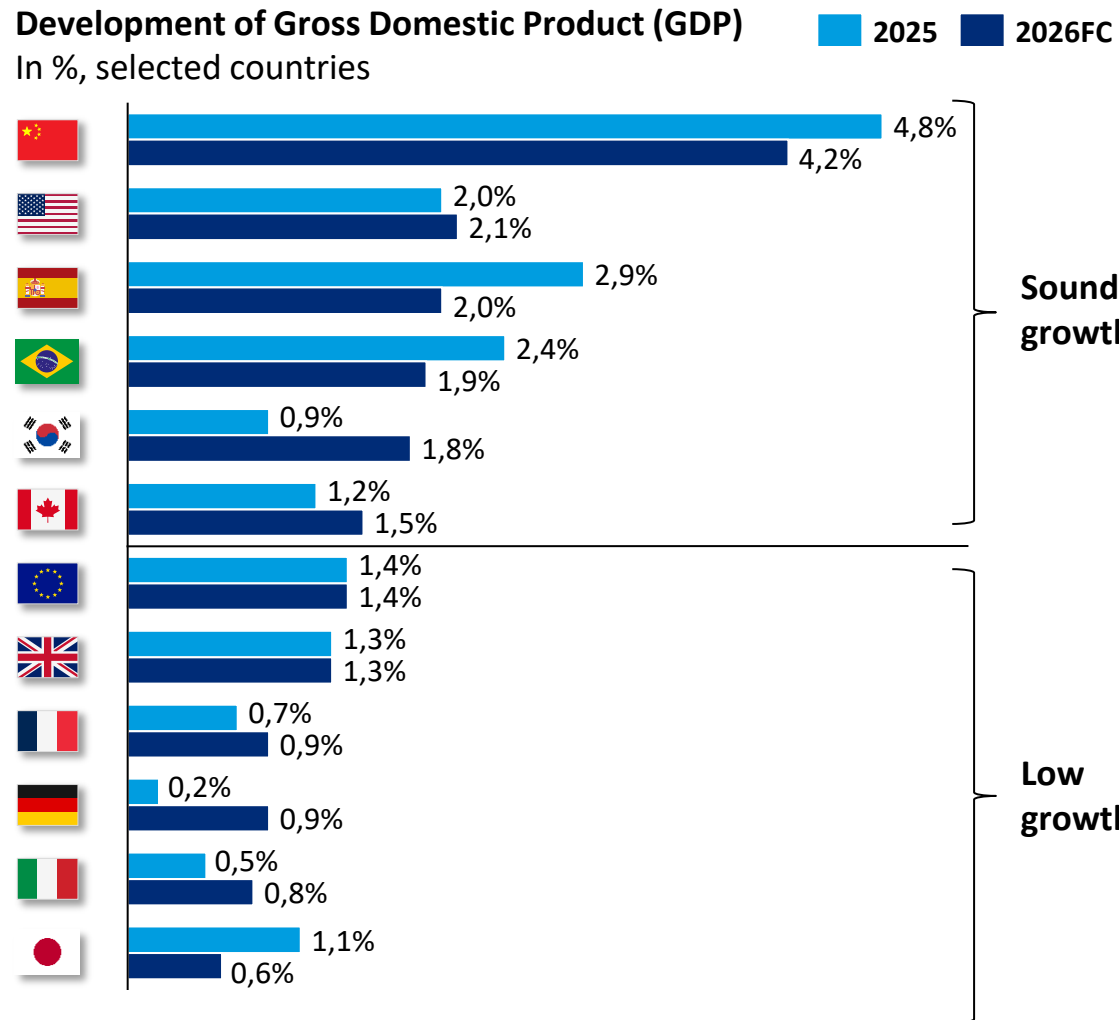
## EU economic sentiment expectations

Long-term average of 100, higher values signal better performance



## Development of Gross Domestic Product (GDP)

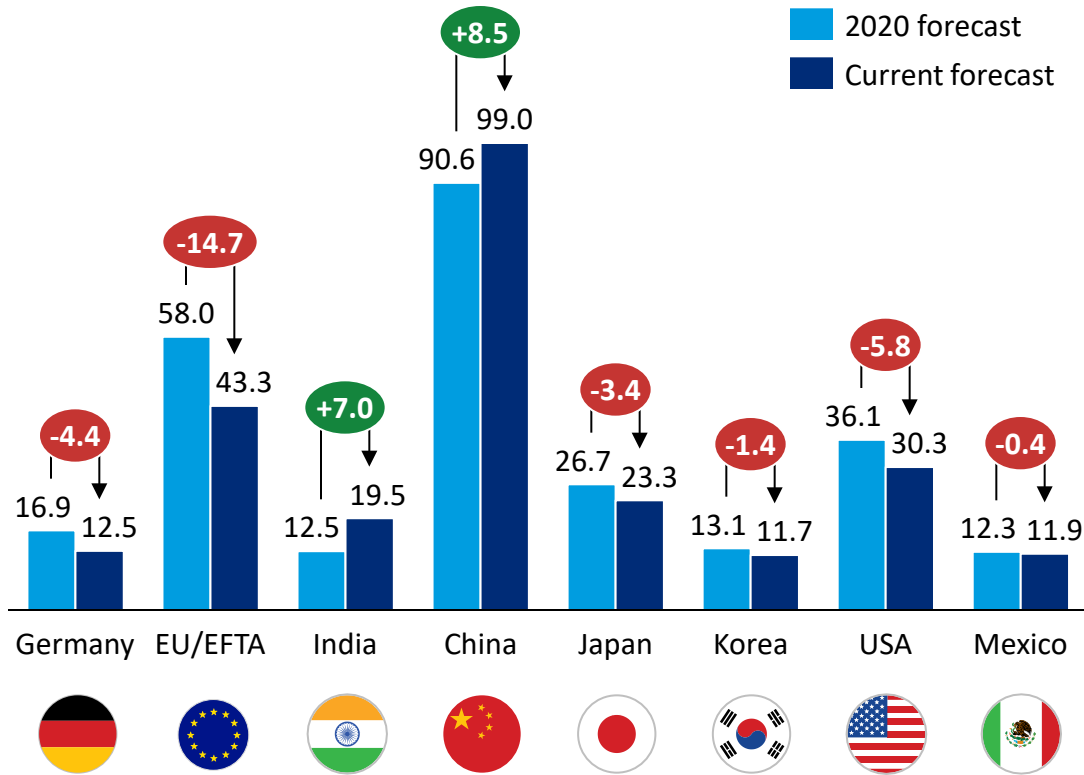
In %, selected countries



1. Measures short-term GDP growth and economic activity in the EU and Euro Area  
Source: European Commission, International Monetary Fund, Oliver Wyman analysis

# CONTINUED SHIFT OF VEHICLE PRODUCTION TO ASIA, RAISING CONCERNS ABOUT COMPETITIVENESS OF EUROPEAN PLANTS

Difference in light vehicle production forecasts from 2020 and now  
 In millions of vehicles, cumulative for the production period 2025-2027



## Key insights

- Germany expected to lose over 4 million vehicle productions (2025-2027) compared to the original expectation from 2020
- Increased EV share and cost pressures favor China and India, squeezing high-cost regions lacking productivity gains

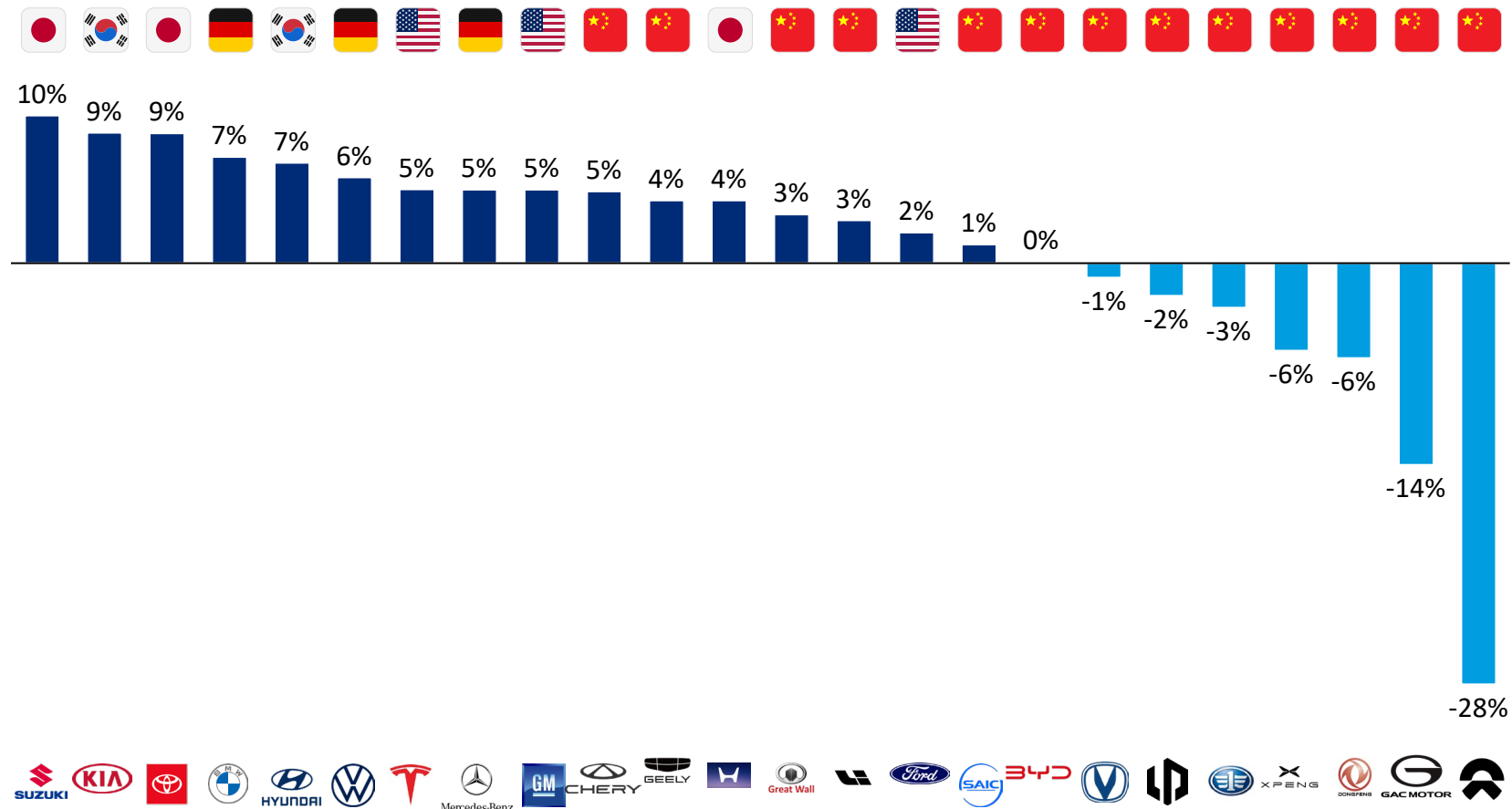
## Country specific observations

- **China:** Higher volumes than expected due to strong domestic demand, EV leadership, and competitive pricing
- **India:** Benefiting from capacity increases, PLI incentives, and positioning as a compact-car export hub for multiple regions
- **Germany/EU:** Decline linked to rising energy costs and EV transition disruptions; OEMs moving some production to lower-cost countries and Chinese partnerships
- **US:** Decline in volumes due to higher interest rates and model transitions; some production shifts to nearby Mexico and Canada

Data from January 2026 vs. July 2020; Source: GlobalData, Oliver Wyman analysis

# CHINESE AUTOMOTIVE INDUSTRY UNDER UNSUSTAINABLE INTENSE MARGIN PRESSURE, CHINESE OEMS RAPIDLY GROW BEV SHARE AT THE COST OF PROFITABILITY

EBIT margins of top OEMs, globally  
Last 12 months



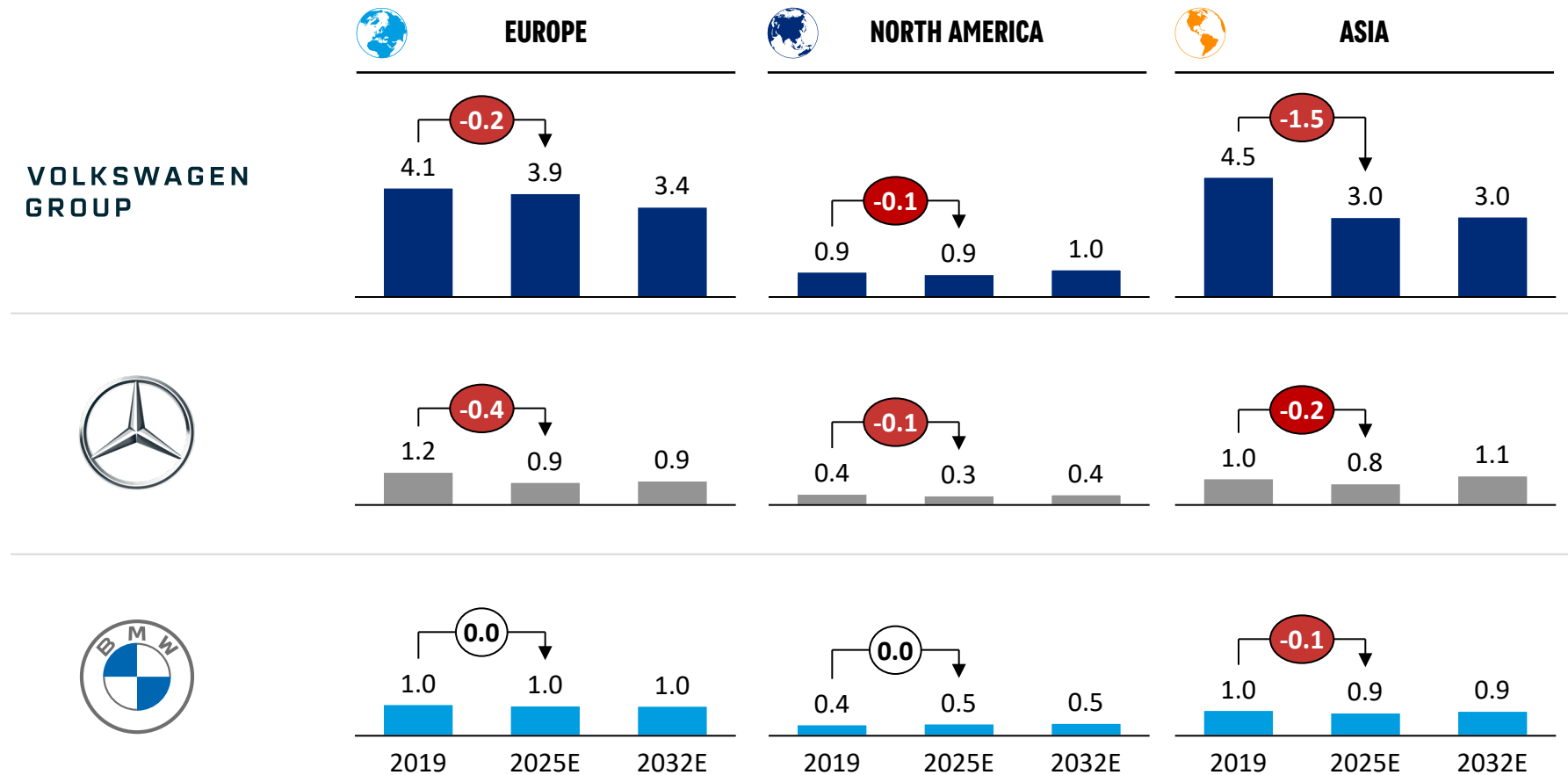
## Key insights

- Many Chinese players prioritize scale and global footprint today over near-term profitability optimization
- Intense price competition and promotions in China compress margins, making current economics sustainable in the long-run
  - State support, industrial policy, and export incentives partially offset weak returns for Chinese automakers
  - In the long-term, consolidation of the market expected

Source: S&P, GlobalData, Oliver Wyman analysis

# WESTERN OEMS REVENUES FROM CHINA HAVE SIGNIFICANTLY DECLINED, NECESSITATING A RE-BALANCING OF PRODUCTION CAPACITIES, WHILE EXPECTED TO STABILIZE LONG-TERM

Light vehicle sales by region – Top German OEMs  
In million vehicles



## Key insights

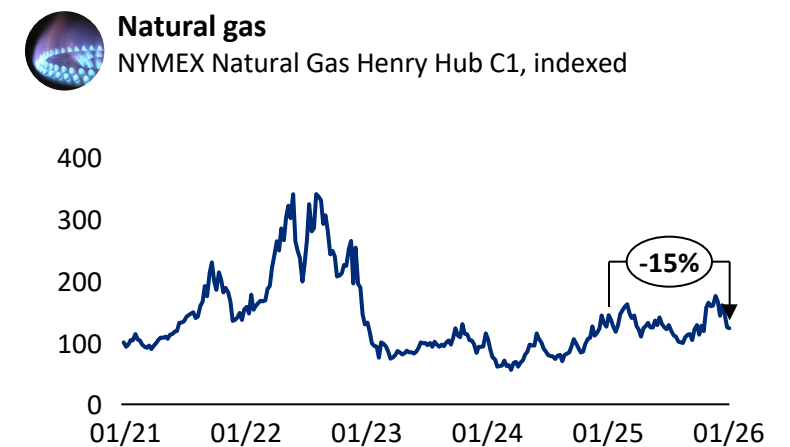
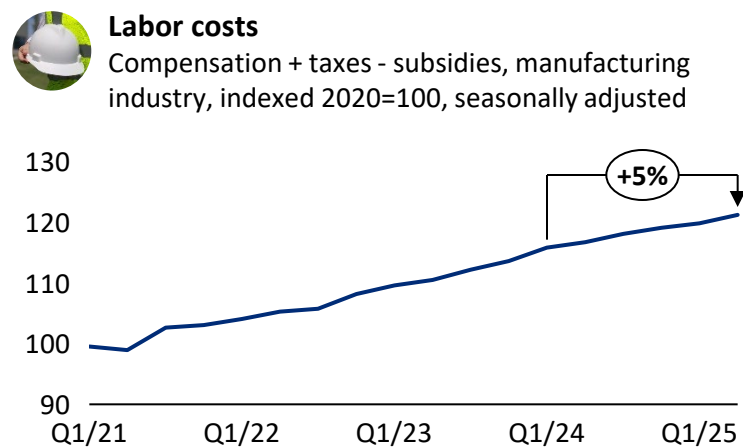
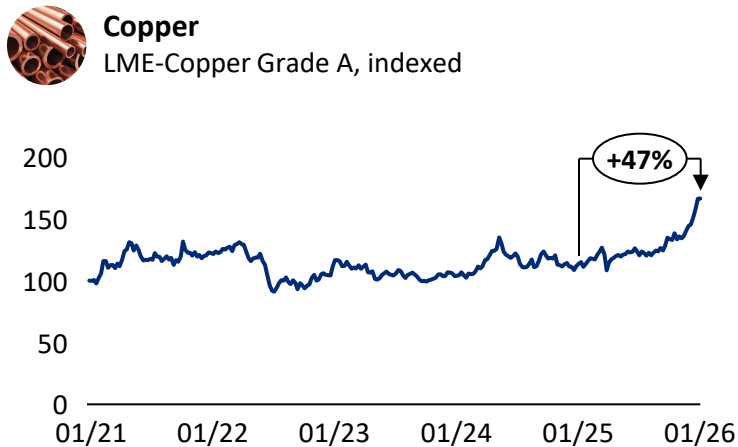
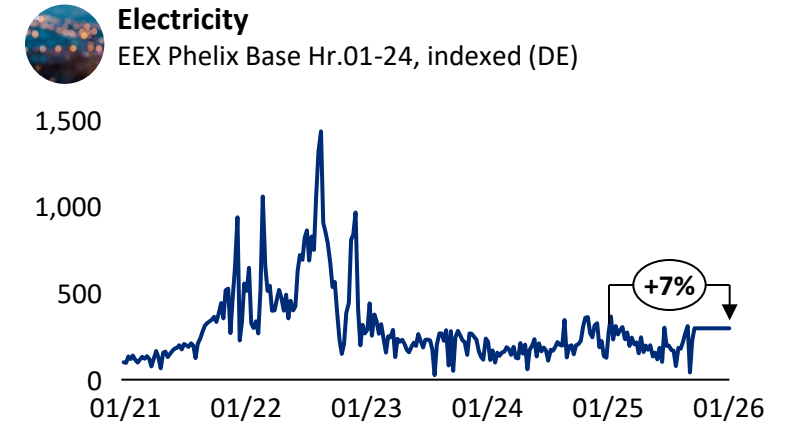
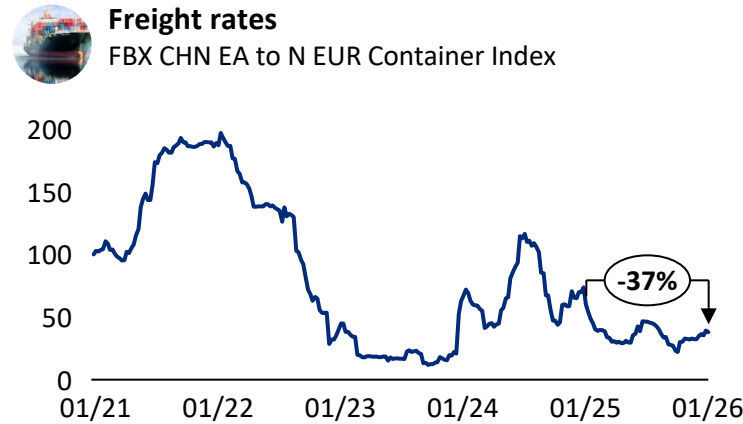
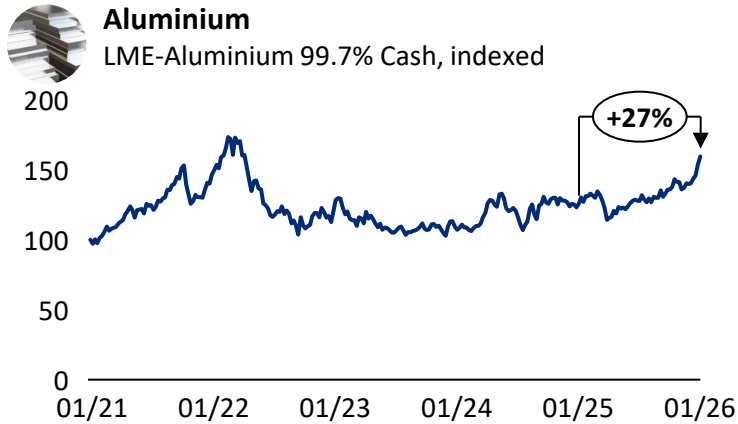
- Export-oriented business model dependent on China as a pure demand center is no longer viable: Profit share from China has significantly declined
- Utilization of European plants by German premium OEMs may temporarily decrease, increasing fixed-cost pressures, leading to:
  - Cost-cutting measures
  - Platform/ capacity consolidation
  - Relocation of production capacity to North America and Asia

Source: GlobalData (January 2026), Oliver Wyman analysis

# KEY RAW MATERIAL PRICES ARE INCREASING AGAIN WHILE THE INCREASE IN LABOR COSTS CONTINUES AT AN UNCHANGED PACE

## Raw material/ factor cost development

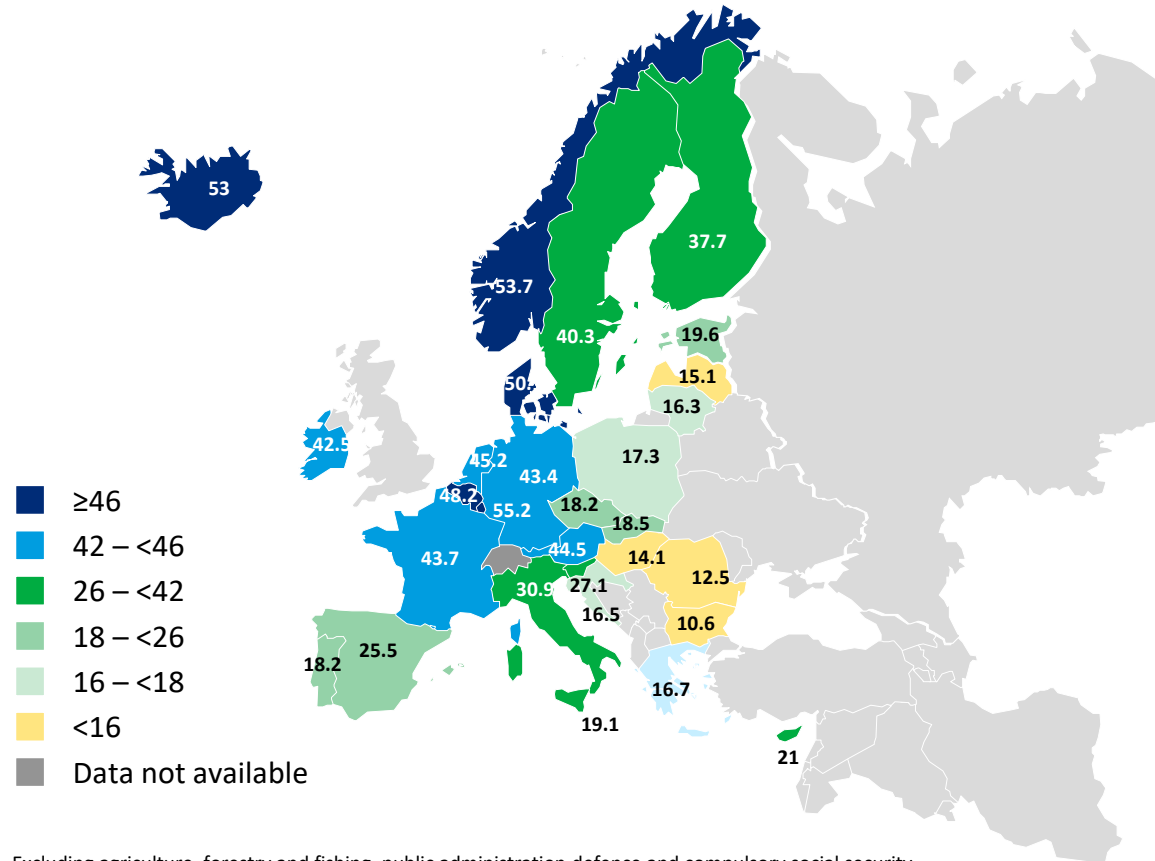
Price increase January 2026 vs. January 2025 in %



Source: Refinitiv, Eurostat, US Bureau of Labor Statistics, Oliver Wyman Analysis

# STRONG DIFFERENCES IN LABOR AND ENERGY COSTS WITHIN EUROPE, GERMANY WITH BOTH HIGH LABOR AND ENERGY COSTS AS A FOOTPRINT DISADVANTAGE

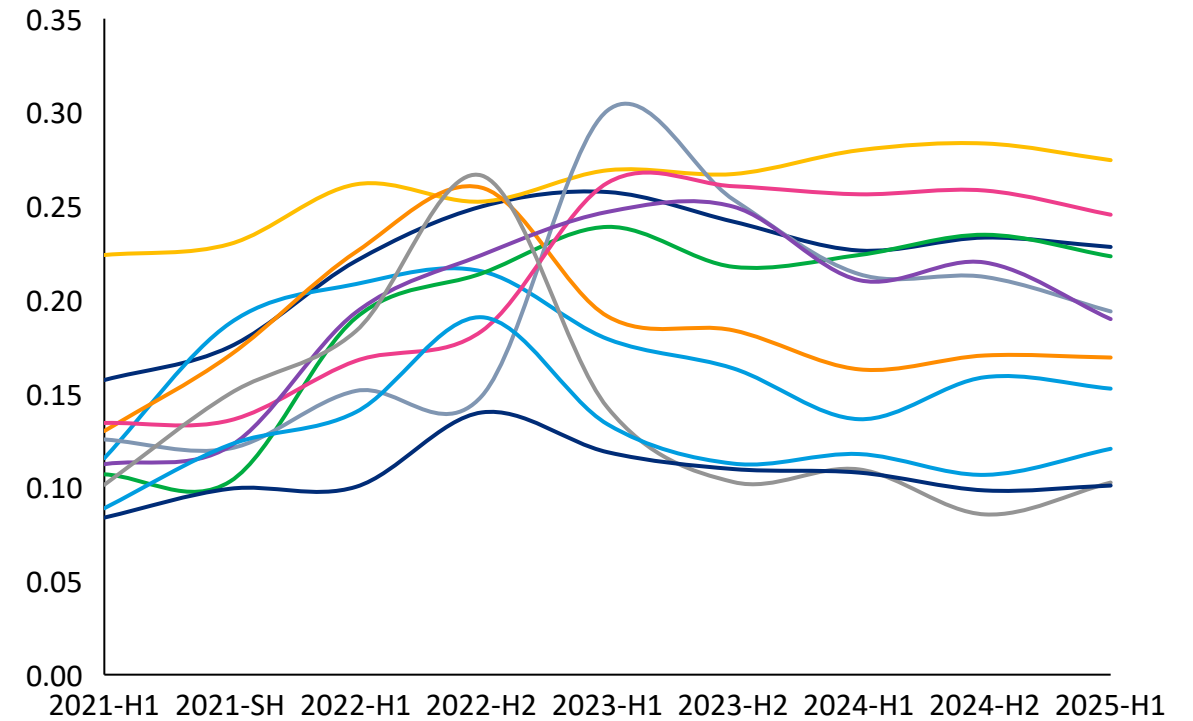
Hourly labor costs 2024  
In EUR / hour



Excluding agriculture, forestry and fishing, public administration defence and compulsory social security, activities of households as employers, and activities of extratemporal organisations and bodies. Spain, Finland and Iceland: data are taken from national sources Malta: LCS2016 estimates

Source: Eurostat, Oliver Wyman analysis

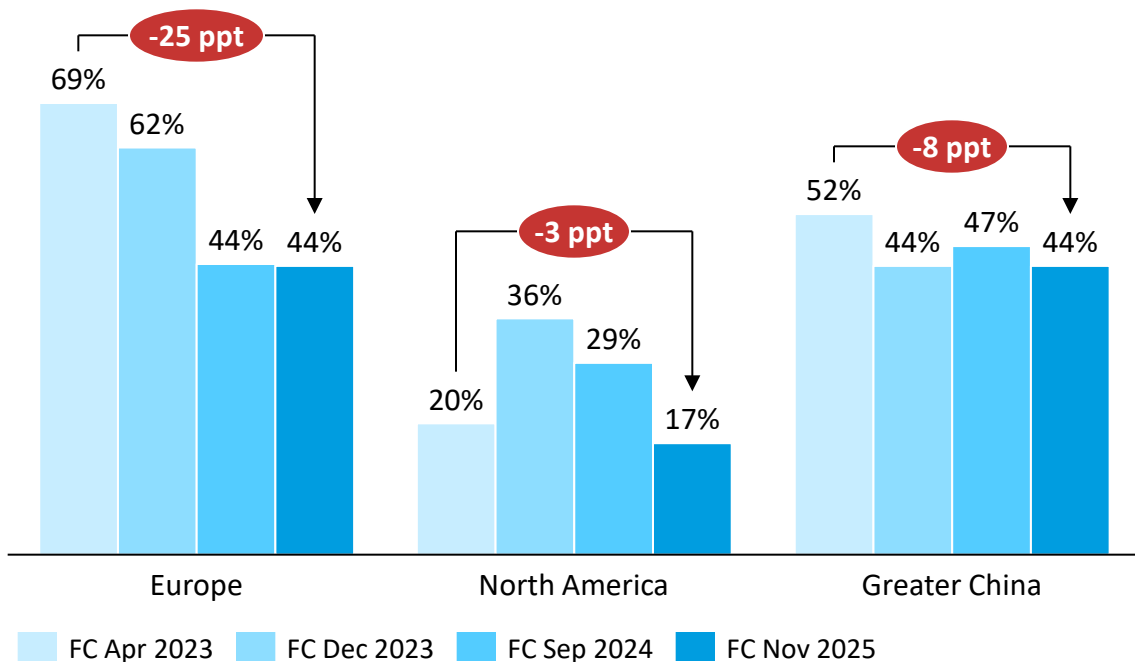
Electricity prices for non-household consumers  
In EUR per KWh, all taxes and levies included



# TRANSFORMATION FROM COMBUSTION ENGINES TO ELECTRIC POWERTRAINS IS SLOWER THAN EXPECTED BUT HAS GAINED TRACTION AGAIN DESPITE THE EU DROPPING 2035 BAN

## BEV forecast adjustment

Sales penetration rate by market in 2030

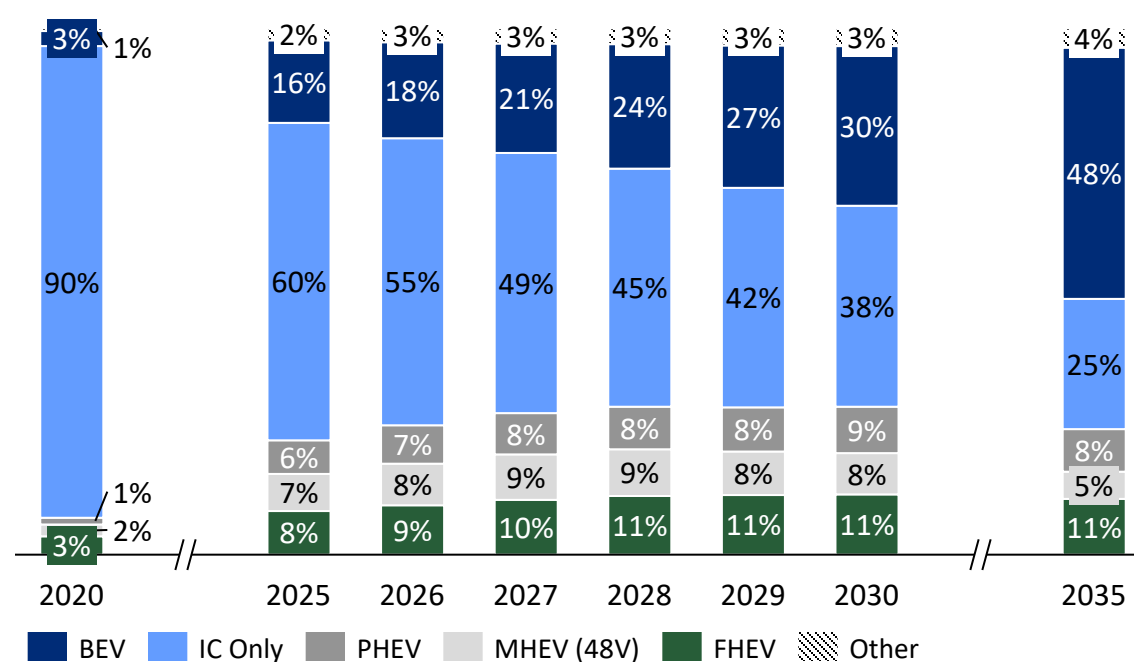


- **Norway:** BEVs capture over 96% of new registrations in 2025
- **Germany:** BEV sales rebounded in 2025, achieving nearly 20% market share in some months after a 2024 slump
- **China:** Share of NEVs (BEV, PHEV, EREV, FCEV) continues to climb, reaching >53% end of 2025

Source: BofA, GlobalData, Oliver Wyman analysis

## Share of propulsion type of light vehicle production

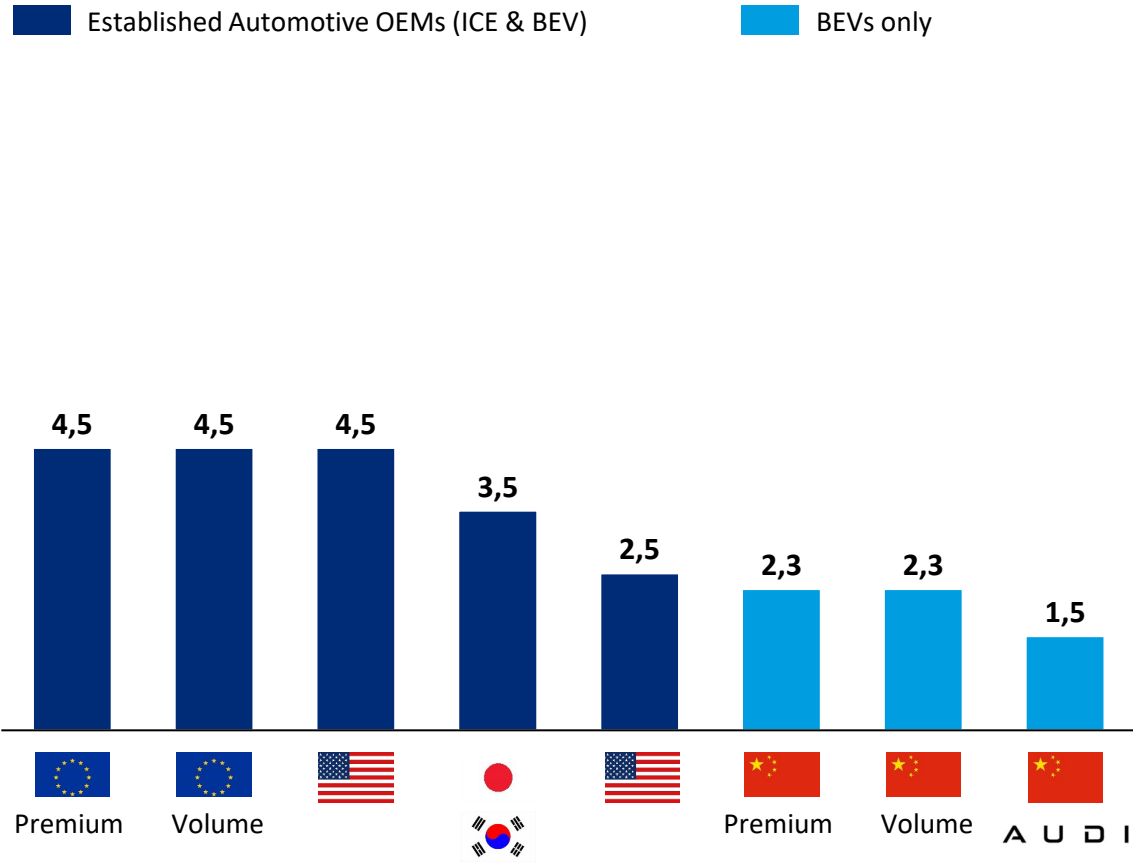
2020-2035F, global



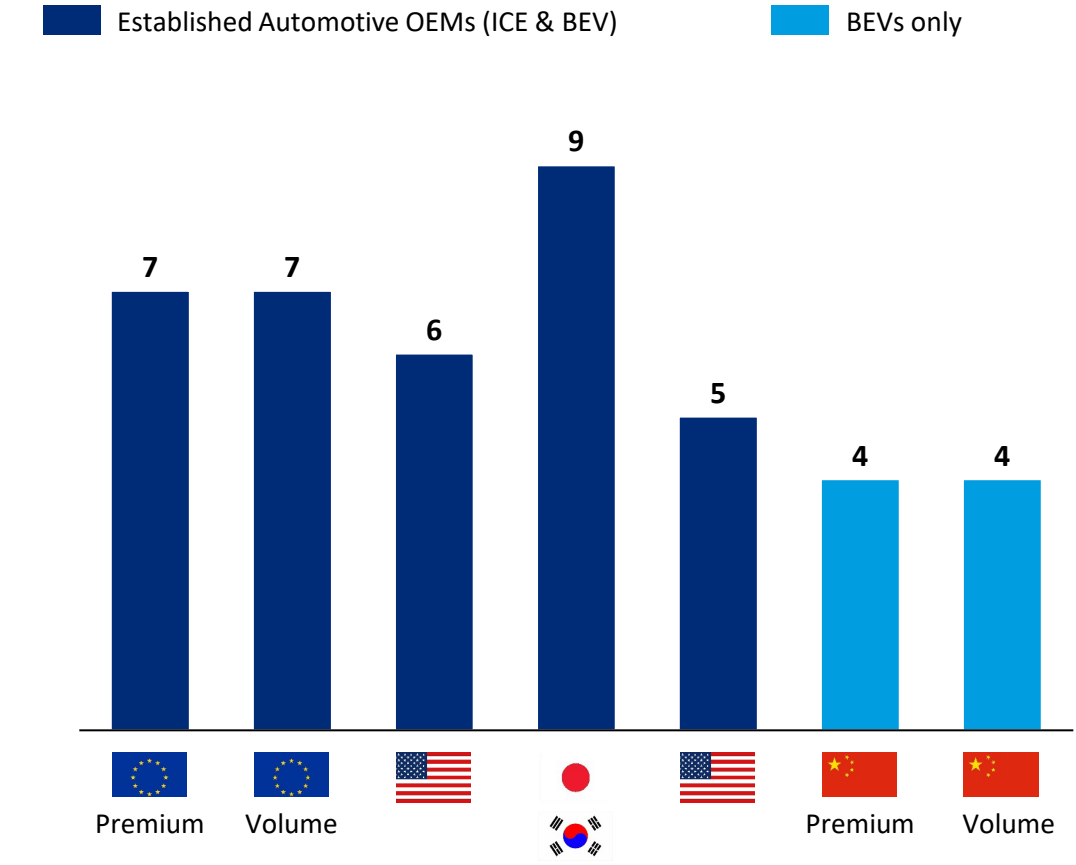
Continued duality of BEVs and ICE is highly complex and represents a challenge for automotive suppliers, requiring unsustainable high investments in both technologies in parallel

# ESTABLISHED OEMS HAVE LONGER R&D AND PRODUCT LIFE CYCLES THAN PURE BEV OEMS – AUDI'S E5 DEMONSTRATES THAT ESTABLISHED OEMS CAN REDEFINE THIS PATTERN

Product development – ICE & BEV vs. BEV only  
# Years (Ø)



Product lifespan from SOP to EOP – ICE & BEV vs. BEV only  
# Years (Ø)

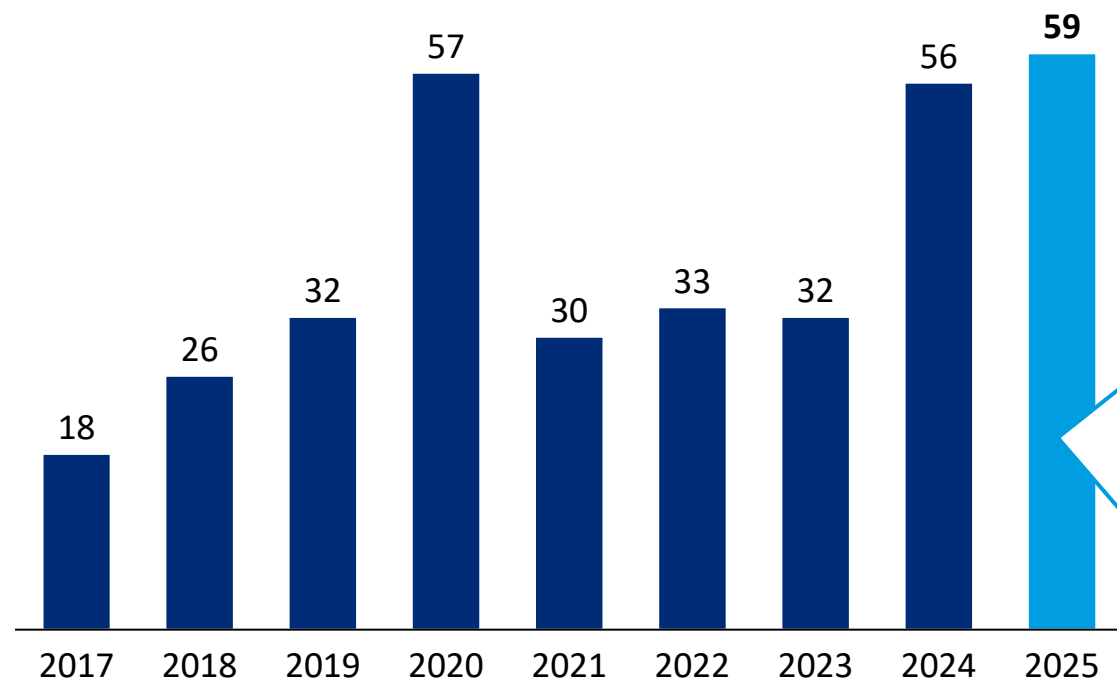


Source: Oliver Wyman analysis

# THE AUTOMOTIVE SECTOR FACED RECORD NUMBERS OF INSOLVENCIES IN GERMANY DUE TO OVERCAPACITIES, HIGH LOCATION COSTS, AND A LACK OF FINANCIAL RESERVES

## Insolvencies in the automotive sector in Germany, 2017-2024

Only companies >10 M€ turnover considered, number of insolvencies



### Handelsblatt

"Structural Collapse" – Experts Expect Record in Major Bankruptcies

### FOCUS

German Automotive Suppliers Are Falling Like Dominoes – Who Is Next?

### FALKENSTEG

Another increase of 25 percent – and no end in sight...

Source: Falkensteg, Handelsblatt, Focus, Company websites, Oliver Wyman analysis

## Insolvencies of major automotive suppliers in 2025

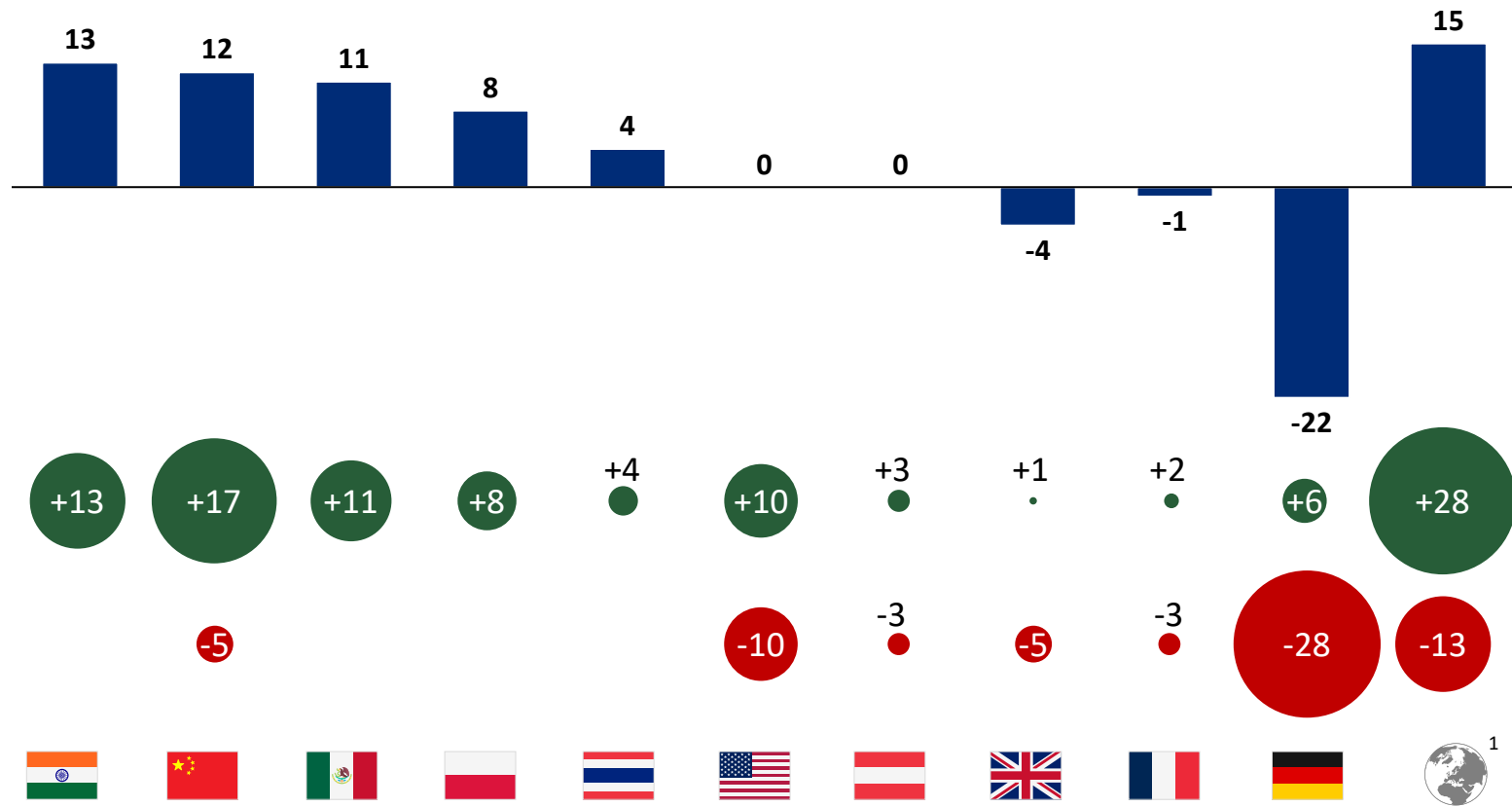
Extract, non-exhaustive

Excerpt

	Employees	Status
<b>kiekert</b>	4,500	Insolvency opened; investor process ongoing
Plastic Manufacturing Group	1,000	Insolvency opened; future uncertain
<b>iwis</b> wir bewegen die welt	760	Self-administered insolvency; restructuring ongoing
<b>BOHAI TRIMET</b>	700	Insolvency opened; operations continuing
<b>ae</b> group	650	Insolvency concluded; operations shut down
<b>BORYSZEW</b> AUTOMOTIVE PLASTICS	500	In insolvency; production still running
<b>winningblw</b>	500	Self-administration insolvency; operations ongoing
<b>meteor</b> GLASSWERKE	400	Second insolvency; restructuring with investor search
<b>MVI</b> GROUP	300	Insolvency; business closed after shutdown

# GERMANY AS A KEY PRODUCTION SITE IS UNDER PRESSURE, SUPPLIERS RELOCATE TO EASTERN EUROPE AND TO ASIA TO MITIGATE COST DISADVANTAGES

Net development (closures/openings) of factories of Top-European automotive suppliers by country  
Sorted by net development, 2020 (Jan.) – 2025 (April) ● = openings ● = closures



## Key insights

- Relocation of production sites driven by:
  - Cost Benefits: Lower salaries and energy costs, along with tax benefits and investment incentives
  - Faster Decision-Making: Reduced bureaucracy and a welcoming political environment
  - Market proximity: China as a key sales market increasingly requires local sourcing as well as R&D to be competitive
- Relocations initially aimed at production, OEMs and suppliers are now also relocating and localizing R&D to cut costs and accelerate time to market

Note: Sample of 91 of the largest European automotive suppliers; 1 additional country includes: Argentina, Australia, Brazil, Bulgaria, Canada, Hungary, Italy, Malaysia, Morocco, Netherlands, Romania, Russia, Serbia, Slovakia, Slovenia, South Africa, South Korea, Spain, Taiwan, Tunisia, Turkey, Ukraine, Vietnam, UAE


















Source: Oliver Wyman Automotive Supplier & OEM Database

# INCREASING PRESENCE OF BOTH CHINESE OEMS AND AUTOMOTIVE SUPPLIERS IN EUROPE – LATEST EU RULING, HOWEVER, CREATES UNCERTAINTY ABOUT PLANNED INVESTMENTS

## Confirmed and rumored sites of Chinese OEMs in Europe

Based on publicly available information

OEM	Country	Status
 华晨汽车		Confirmed
		Confirmed
		Confirmed
		Rumored
 长安汽车 CHANGAN AUTO		Confirmed
		Rumored
		Rumored
 广汽集团 GAC GROUP		Confirmed
		Rumored
		Confirmed
		Confirmed

OEM	Country	Status
 ZEEKR (Geely Group)	 (via existing plants)	Rumored
		Rumored
		Confirmed
		Confirmed
		Confirmed
		Confirmed
	  	Rumored
		Confirmed

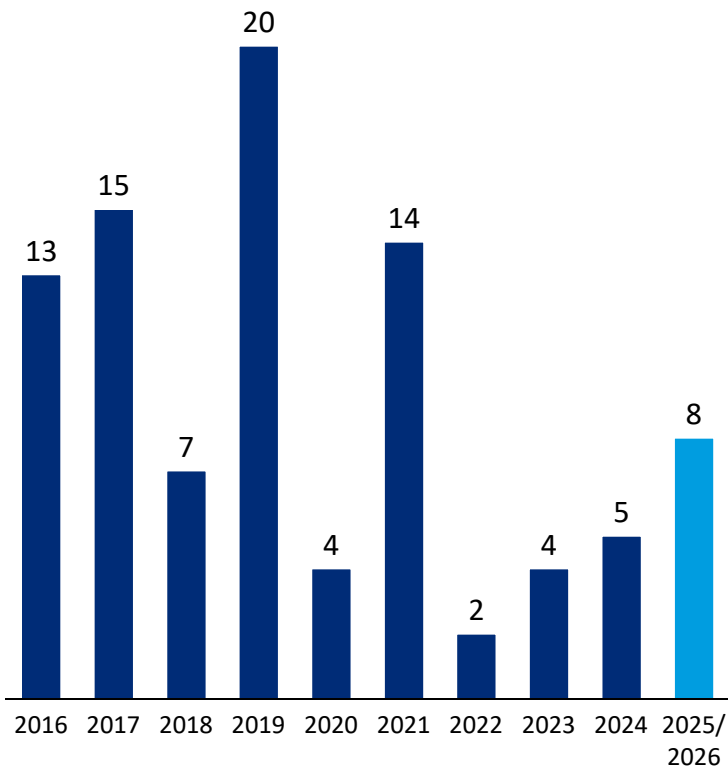
## Key insights

- Investments by Chinese automotive suppliers target the battery supply chain to cope with Europe’s increasing demand for electric vehicles (EVs) while addressing the shortage of local manufacturing capacity
- In February 2026, Volkswagen secured an exempt from import tariffs for its China-made BEV Cupra Tavascan
  - Exempt based on agreed minimum price and sales quota
  - Chinese automakers now expected to apply for similar deals for EV models to leverage the lower Chinese cost base









Source: Oliver Wyman analysis

# CHINESE INVESTORS ARE SLOWLY RETURNING TO EUROPE AFTER YEARS OF VERY LIMITED INVESTMENT ACTIVITY

Acquisitions of European automotive suppliers<sup>1</sup> by Chinese buyers in # of deals, completed and pending



Example M&A deals 2024-26  
Excerpt

Target	Acquirer	Segment
 Stanz- und Biegetechnik	 HUAWEI	Springs, stamped, and bent parts (acquired out of insolvency)
 (automotive powertrain & adjacent sensors)	 SINOTEC 華培	Powertrain
 (turbocharger business)	 新盛	Powertrain
 OFFICINE VIGA	 新盛	Mechanical component

## Key insights

- Increase of investments by Chinese buyers into European automotive suppliers across segments
- Investments driven by
  - Localization of supply chain, following Chinese OEMs to Europe
  - Trade tensions and risks of tariffs, both for Chinese and European OEM customers

1. NAICS segments: Automobile Manufacturing; Heavy Duty Truck Manufacturing; Motor Vehicle Body Manufacturing; Motor Vehicle Electrical and Electronic Equipment Manufacturing; Motor Vehicle Gasoline Engine and Engine Parts Manufacturing; Motor Vehicle Transmission and Power Train Parts Manufacturing; Motorcycle, Bicycle, and Parts Manufacturing; Other Motor Vehicle Parts Manufacturing  
Source: Mergermarket, Oliver Wyman analysis

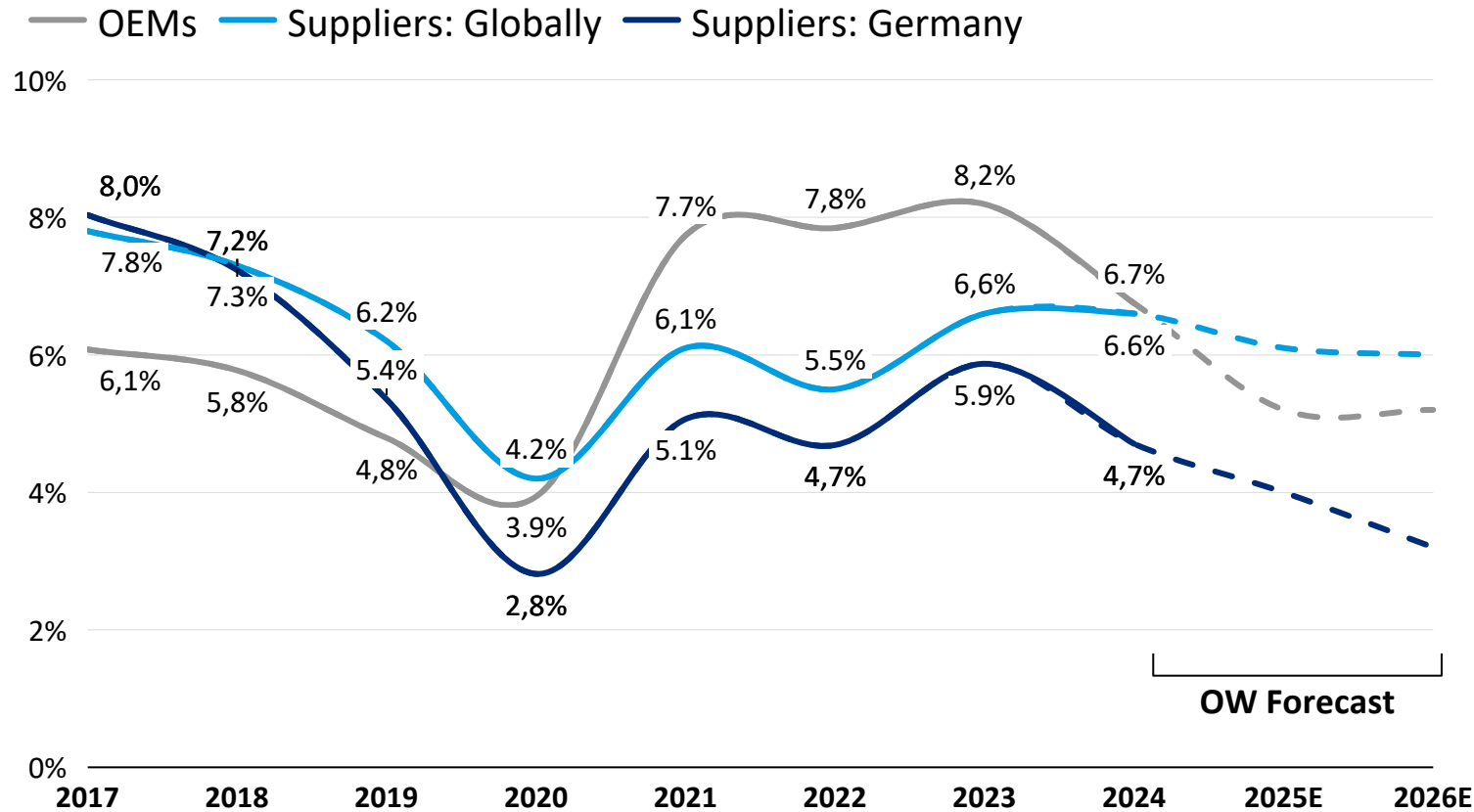


**02**

**AUTOMOTIVE SUPPLIER FINANCIAL BENCHMARKING**

# OEM MARGINS CONTINUE TO SHARPLY DECLINE, REVERTING TO PRE-COVID LEVELS, WHILE GERMAN SUPPLIERS NEED TO RESTRUCTURE AMID PRESSURE FROM STRUCTURAL ISSUES

EBIT margins of OEMs<sup>1</sup> and automotive suppliers<sup>2</sup> globally  
In %, 2017-2026E, global



## Key insights

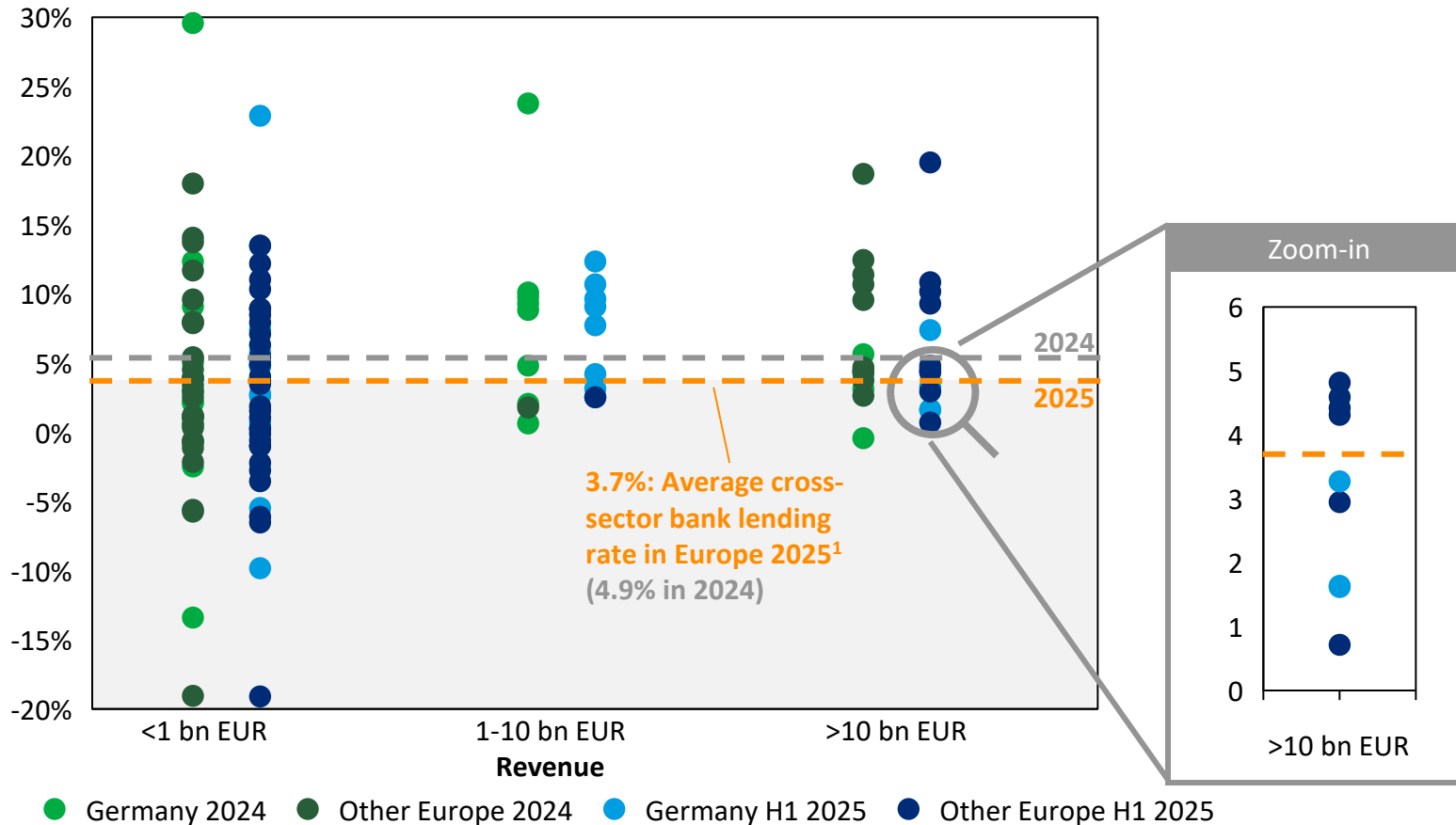
- **OEM vs. supplier margins:** OEM and global supplier margins have reverted to pre-COVID levels, with suppliers previously exceeding OEM margins
- **Margin convergence:** In 2024, OEM and global supplier margins converged, driven by normalized demand, better planning, relaxed supply chains, and price increases
- **Investment pressure:** Suppliers are not benefiting from the ICE vs. BEV rebound and must invest in both technologies
- **Challenges for German Suppliers:** German suppliers are falling behind global competitors due to structural issues:
  - Overcapacities, high local costs, fierce Asian competition, need to invest with dwindling financial resources.
  - Current margins are under 5%, limiting their ability to invest

1. Top-20 OEMs by global unit sales. Revenue-weighted average; 2. 1,177 automotive suppliers, varying yearly samples due to data availability  
Source: S&P, Oliver Wyman Supplier Financial Benchmarking 2026

# HIGH MARGIN VARIABILITY AMONG SUPPLIERS INDICATES INCONSISTENT SECTOR PERFORMANCE AND VULNERABILITY TO SHOCKS



**Profitability of European suppliers by company size, H1 2025 vs. 2024**  
EBIT margin, in %

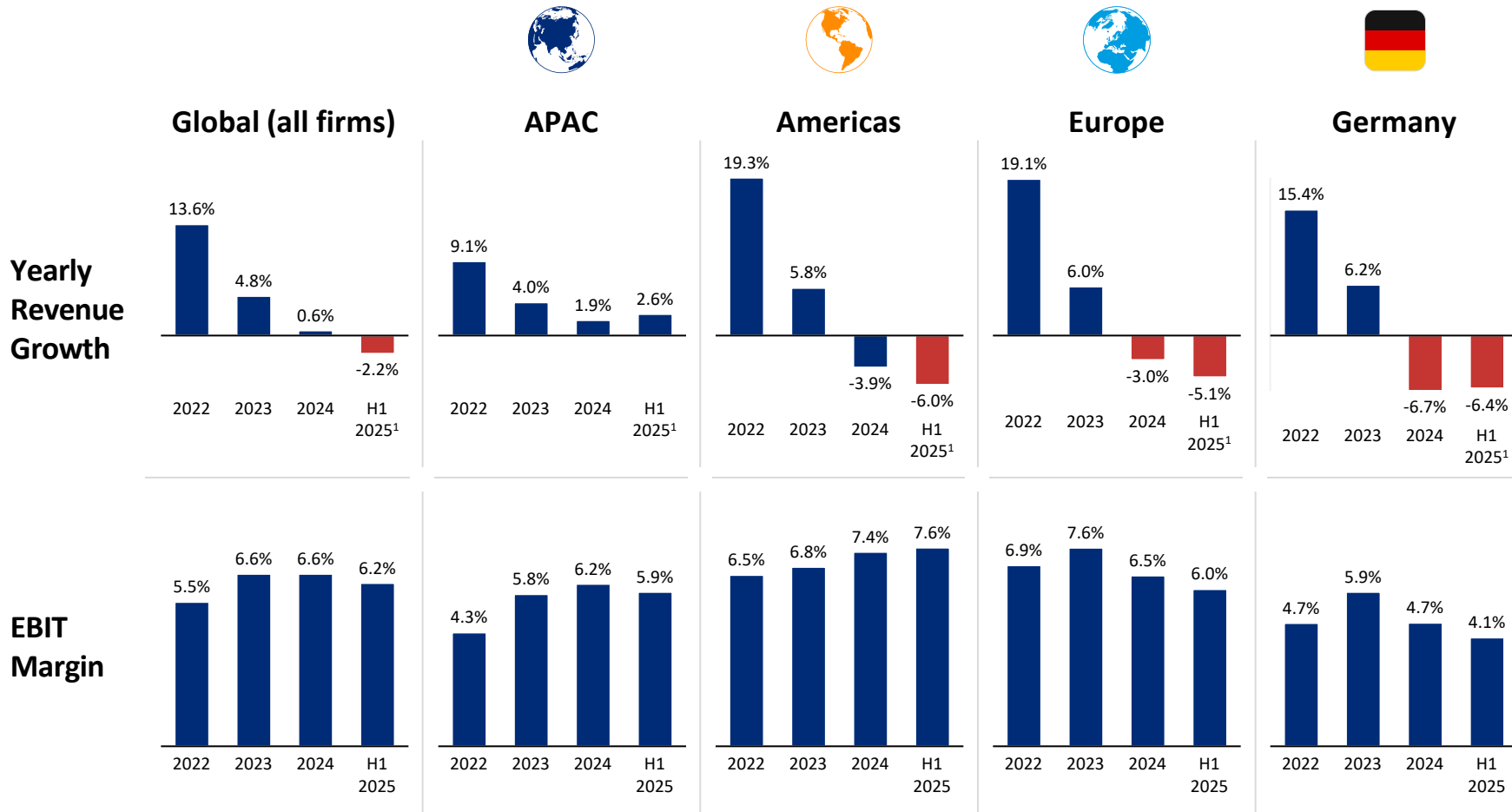


1. Bank interest rates per annum; loans to corporations (new business)  
Source: Oliver Wyman Supplier Financial Benchmarking 2026, ECB

## Key insights

- High margin variability among suppliers, especially small and mid-sized companies, suggests inconsistent sector performance and vulnerability to shocks
  - Spread in margins is significantly higher among smaller companies (<1 bn EUR) with some suppliers posting high losses
  - Spread in profitability for small (<1 bn EUR) and medium (1-10bn EUR) sized suppliers remains at previous levels
- In H1 2025, 45% of European suppliers only achieved margins below bank lending rates
  - Share decreased from 55% in previous year due to reduced lending rate but not due to improved margins
  - Share of small suppliers with margins below bank lending rates (50%) significantly higher than large suppliers (36%)

# AUTOMOTIVE SUPPLIER REVENUES HAVE STARTED TO CONTRACT WITH APAC AS THE OUTLIER, STRONG GEOGRAPHICAL DIFFERENCES IN THE MARGIN DEVELOPMENT



## Key insights

### Revenue contraction

- Revenue contraction driven by post-COVID normalization and destocking after 2022 surge
- APAC revenues increase driven by a globally growing share of Asian BEV OEMs with a focus on local sourcing and building a supplier base

### Increasing spread in margins:

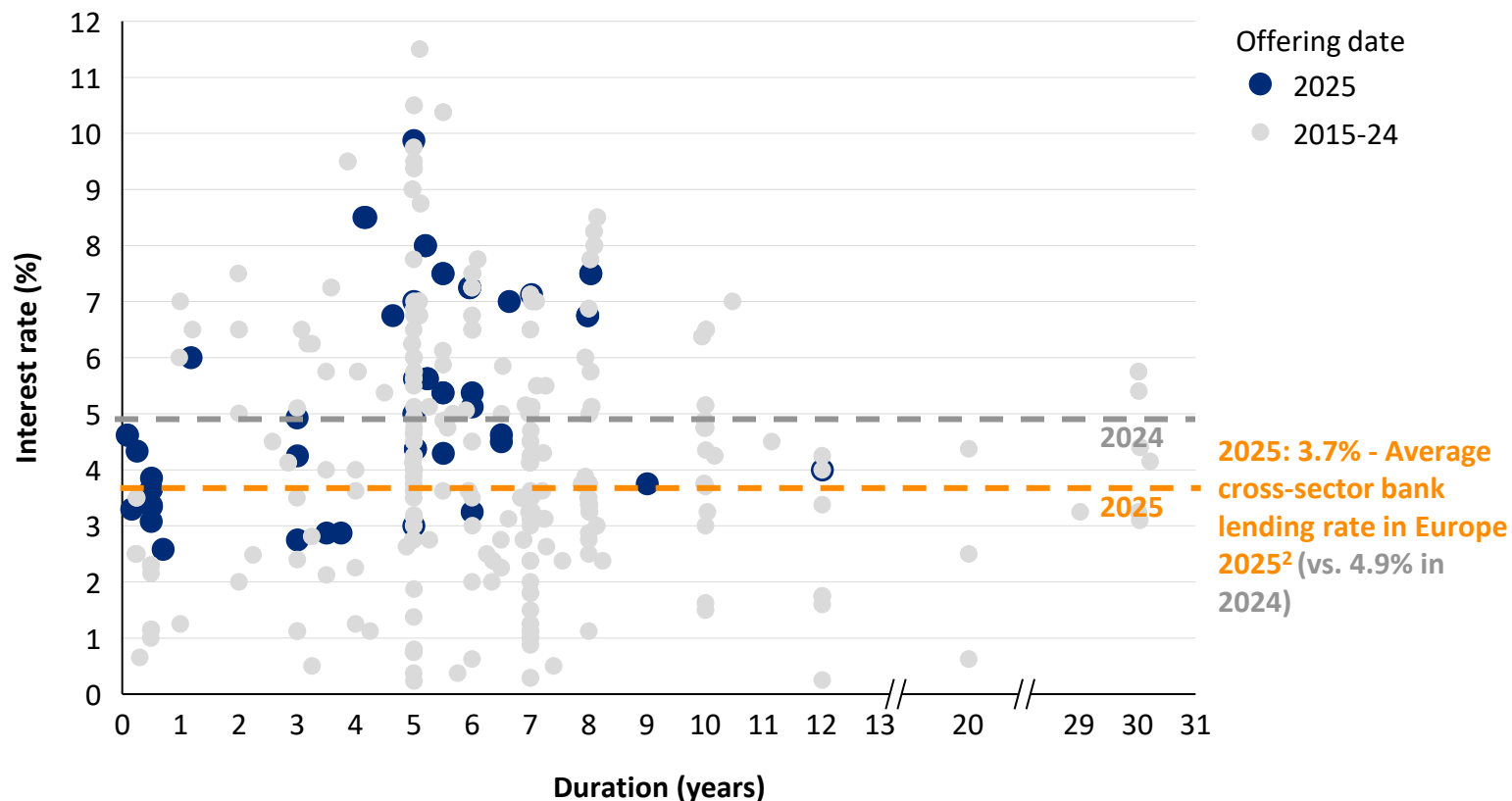
- EV transitions disrupts legacy suppliers, especially in Europe and Germany, Asian suppliers are more tech-focused
- OEM price pressure and cost inflation squeeze supplier margins, particularly in Europe and Germany

Note: Sample of 1,177 automotive suppliers; deviating data sample in comparison with 2025 report; suppliers with missing years excluded; volume weighted average values; 1. Change vs. H1 2024  
 Source: Oliver Wyman Supplier Financial Benchmarking 2026

# FINANCING PARTNERS CONTINUE TO BE HESITANT TO FINANCE AUTOMOTIVE SUPPLIERS AND INCREASINGLY LOOK AT SUPPLIER SPECIFIC FACTORS WHEN PROVIDING FINANCING



**Credit<sup>1</sup> interest rates of European suppliers**  
2015-25, in % dependent on duration



## Key insights

- For the European suppliers analyzed, the interest rate on corporate bonds has slightly reduced again vs, previous year, from 6.0% in 2024 to 5.3% in 2025
  - Reduction slightly (-0.5pp) below average cross-sector bank lending rate reduction
  - Strong differences in interest rates across automotive suppliers strongly linked to company-specific financial situation and outlook

Sample: 373 bonds from 63 issuing companies

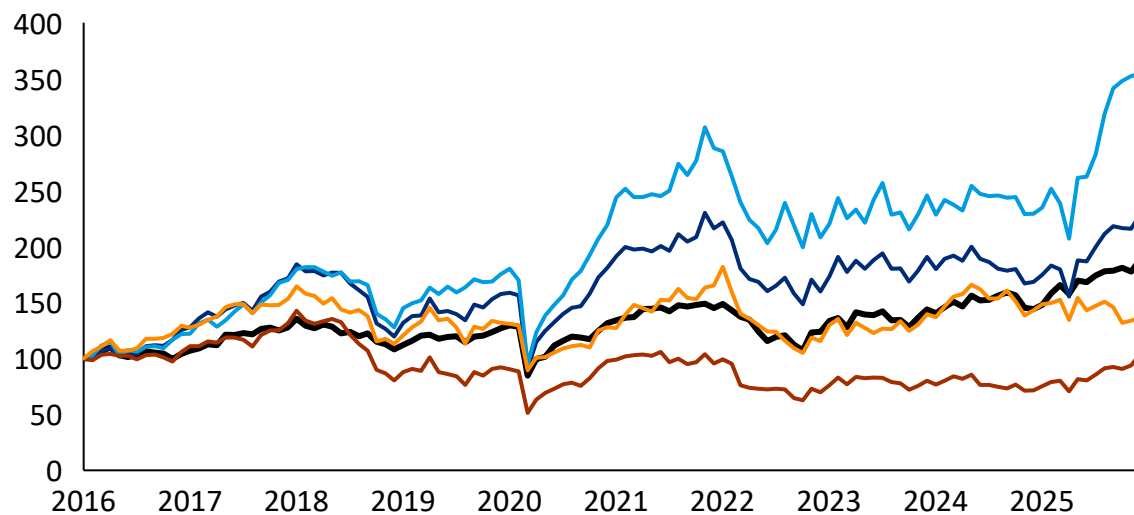
1. Bonds and notes with fixed coupon rates; 2. Bank interest rates per annum; loans to corporations (new business), average Jan-Nov 2025

Source: Oliver Wyman Supplier Financial Benchmarking 2026, ECB, Oliver Wyman analysis

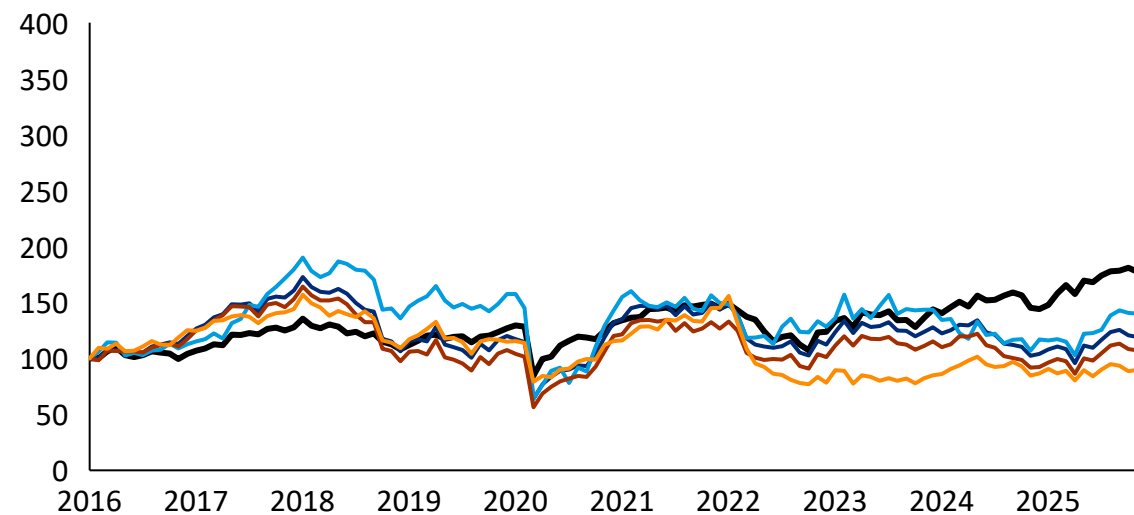
# INVESTOR APPETITE FOR AUTO. SUPPLIERS VARIES BY SEGMENT: ELECTRICAL COMPONENT SUPPLIERS HAVE THRIVED, WHILE TRADITIONAL SUPPLIERS ARE VALUED AT A DISCOUNT

Stock price development of European automotive suppliers<sup>1</sup> and OEMs<sup>1</sup> vs. MSCI  
2016-2026, monthly averages, indexed to 100

Weighted by market capitalization



All companies equally weighted



— MSCI Europe — Supplier: All — Supplier: Electronic components — Supplier: Mechanical components — Automotive Supplier: Tires

Semiconductor and electronic component suppliers, benefiting from the electric vehicle transition and rising digital content demand, are in high demand, while traditional suppliers face discounts

Significant differences exist among suppliers, positive development of electronic components is largely driven by a few key players, particularly TE Connectivity

1. 33 listed European Automotive suppliers and 20 OEMs; 2. Excluding semiconductors  
Source: LSEG, S&P, Oliver Wyman analysis



03

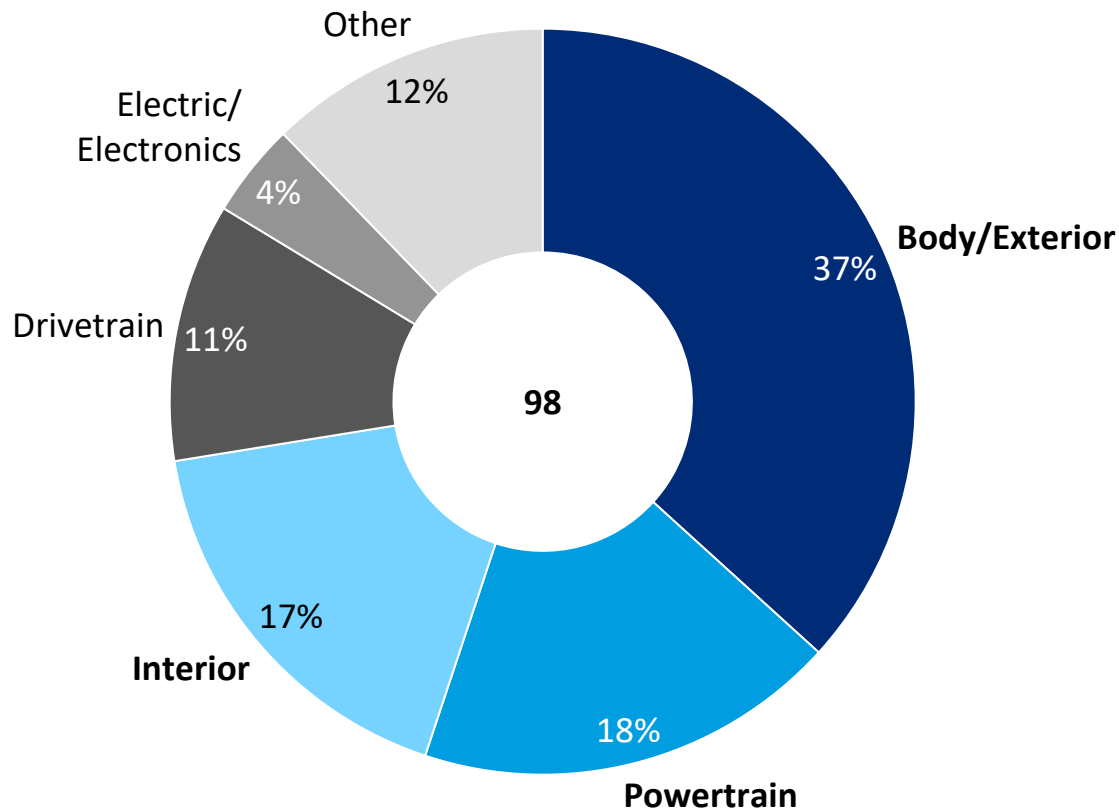
## DEEP-DIVE: RESTRUCTURING INDICATORS

# DEEP STRUCTURAL ISSUES CREATE VULNERABILITY OF THE ENTIRE GERMAN AUTOMOTIVE SUPPLIER INDUSTRY, NOT ONLY POWERTRAIN AFFECTED



## Automotive supplier insolvencies by segment<sup>1</sup>

In %, sample of announcements between January 2020 and June 2025



## Key insights

- The transition to electric vehicles significantly impacts insolvencies in the powertrain segment (18% of total), **while deeper structural issues affect the entire German automotive supplier industry**, as evidenced by insolvencies across all segments:
  - Significant overcapacities
  - High local costs and intense Asian competition
  - Investment needs amid depleted financial reserves
- The **electrical/electronics sector is less affected** by insolvencies due to strong profit margins and lower dependency on powertrain technology uncertainties.
- A **record high of 59 insolvencies was reported in 2025** (up from 56 in 2024), with **slight further increases anticipated in 2026** and no reversal of trends in the next 2-3 years expected:
  - Cases are characterized by increasingly complex cases across all supplier segments
  - Available OEM contributions are limited due to margin pressures, fully utilized risk management, and a need for arbitration
  - As a result, need for industry consolidation is expected – not every supplier can be saved

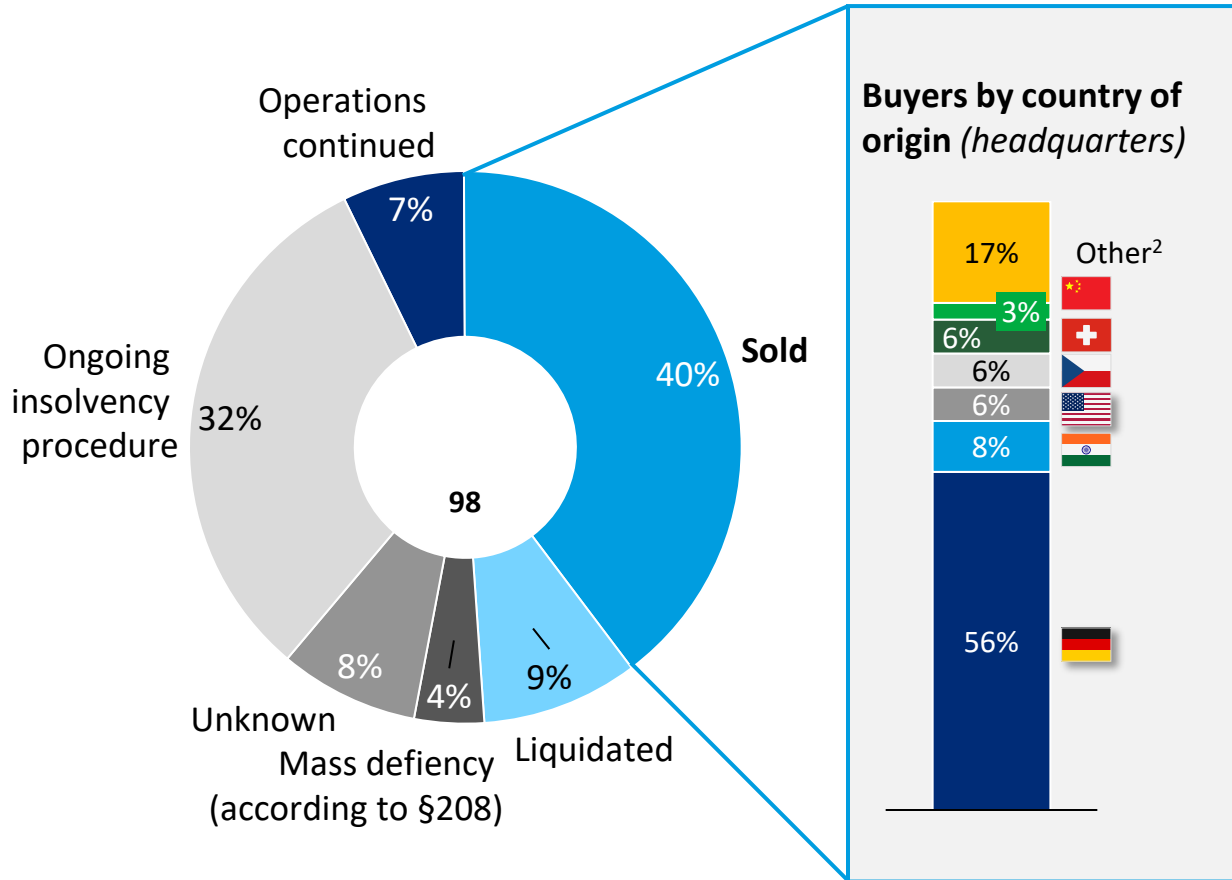
1. Sample of 98 insolvencies announced of 238 insolvencies in total in the automotive sector (>EUR 10 MN) in the period  
Source: Oliver Wyman interviews, Oliver Wyman analysis

# THE SALE OF INSOLVENT COMPANIES IS BECOMING INCREASINGLY CHALLENGING, AN INCREASING SHARE OF PROCEDURES ENDS WITH CEASING OPERATIONS



## Automotive supplier insolvencies by status<sup>1</sup>

In %, sample of announcements January 2020 - June 2025, as of June 2025



## Key insights

- **Selling insolvent suppliers is increasingly challenging:**
  - Private equity/ financial investors have practically disappeared
  - Most investors are strategic and are often ‘asked’ by their OEM customers to invest for supply chain security
  - Deal financing is difficult as banks are cautious due to high insolvency rates and an uncertain outlook.
- Unlike the 2008/09 crisis, **Chinese investors have been virtually absent in recent years.** This trend is now reversing with renewed interest in European acquisitions due to trade conflicts and concerns over EU tariffs
- **Increasing procedure length:**
  - The average time to sell a surveyed company is now nine months, with some cases taking up to four years
  - Insolvency administrators must stabilize operations longer, facing challenges in retaining employees
  - Increasing number of production wind-downs and closures

1. Sample of 98 insolvencies announced of 238 insolvencies in total in the automotive sector (>EUR 10 MN) in the period; 2. IT, NL, ES, TK, SL, Unknown  
Source: Oliver Wyman interviews, Oliver Wyman analysis

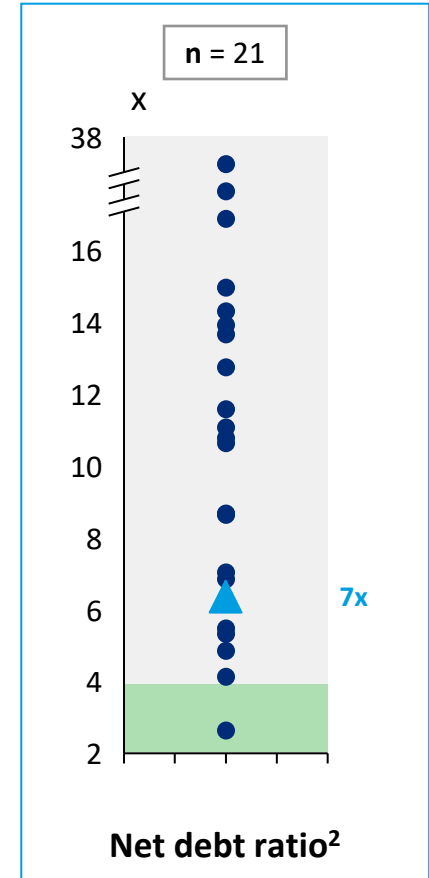
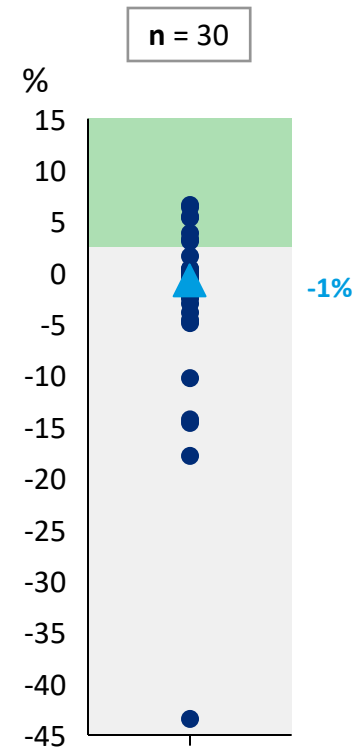
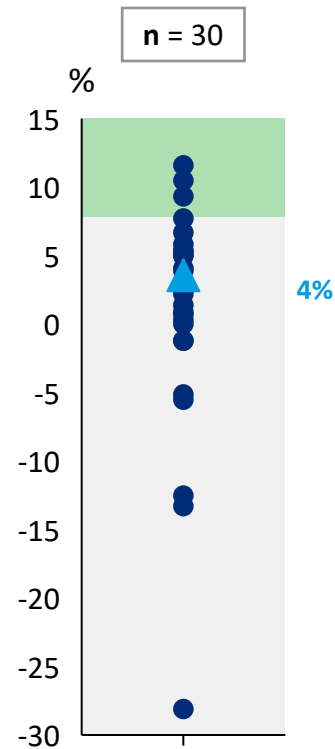
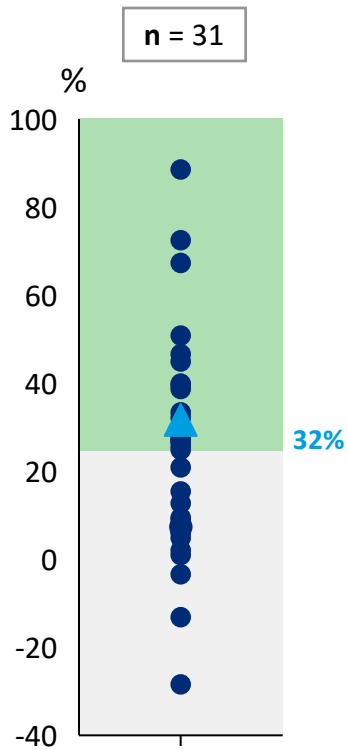


# NET DEBT RATIO IS A KEY INDICATOR OF IMPENDING INSOLVENCIES – EARLY WARNING SIGNALS IMPORTANT TO INITIATE RESTRUCTURING BEFORE RUNNING INTO INSOLVENCY



**Financial figures of automotive suppliers two years before the insolvency declaration**  
 Sample of German suppliers filing for insolvency between January 2020 and June 2025

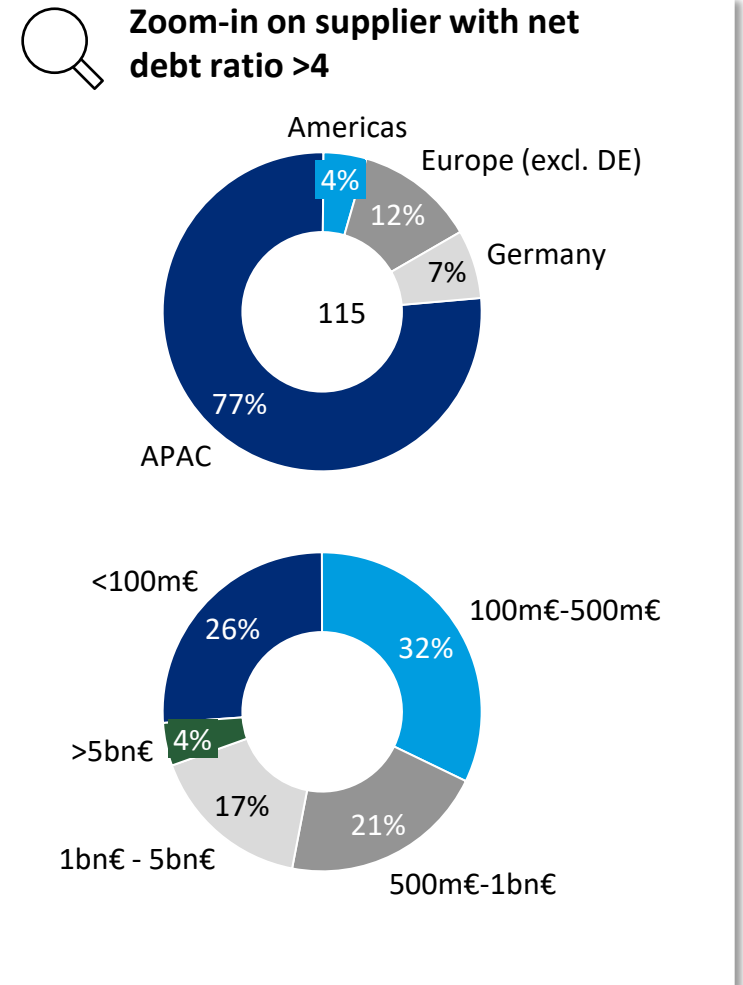
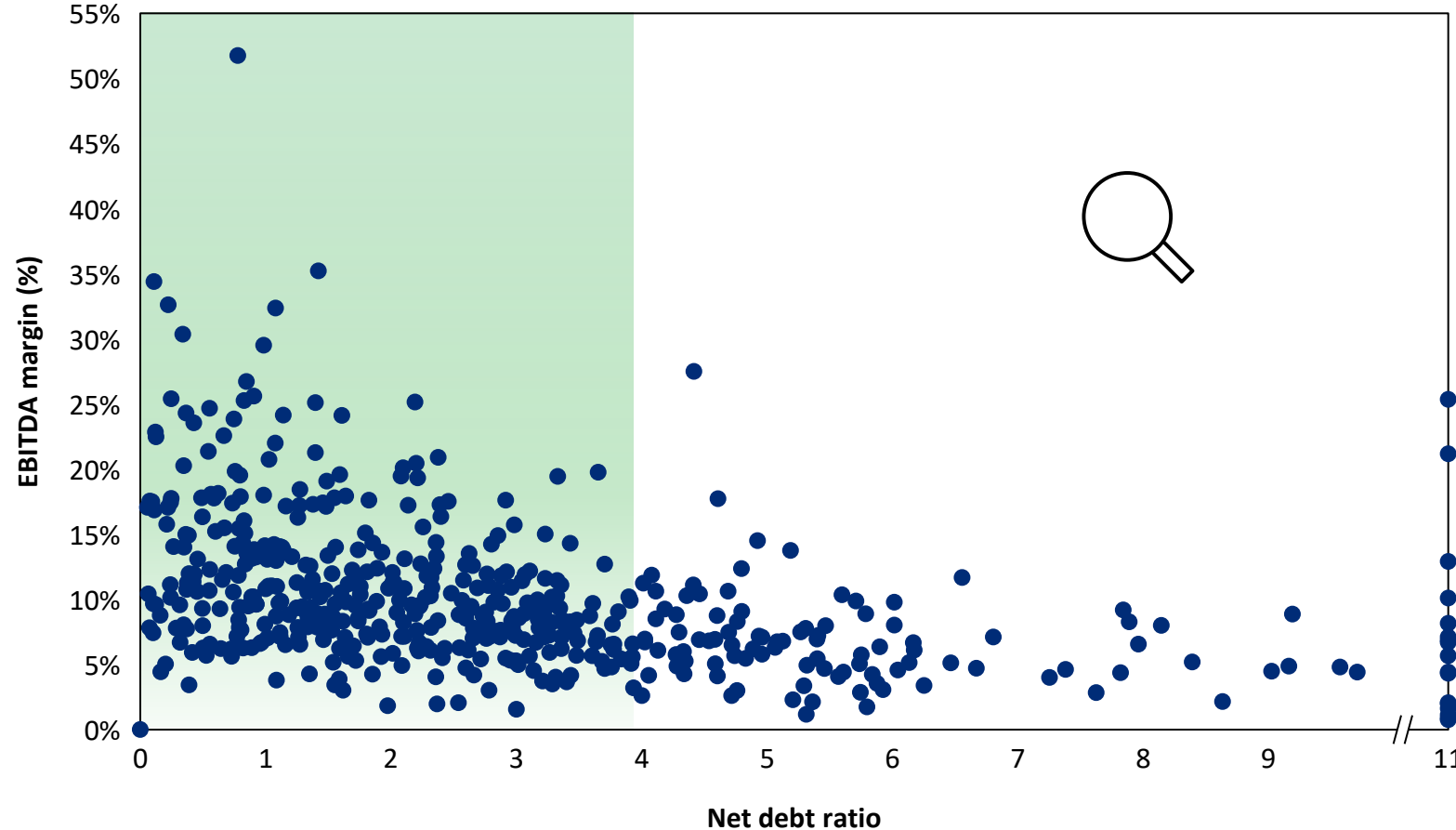
= Typically healthy ratio for automotive suppliers  
▲ = weighted average



1. Earnings after tax (EAT) / revenues; 2. Net debt ratio = (Liabilities – liquid assets) / EBITDA  
 Source: Oliver Wyman interviews, Oliver Wyman analysis

# CA. 10% OF THE 1,177 SURVEY AUTOMOTIVE SUPPLIERS GLOBALLY SHOW AN UNHEALTHY NET DEBT RATIO OF MORE THAN 4, OF WHICH MOST ARE BASED IN APAC

Net debt ratio<sup>1</sup> of automotive suppliers<sup>2</sup> globally  
2024, In times of EBITDA, compared to EBITDA margin in %



1. 2. Net debt ratio = (Liabilities – liquid assets)/ EBITDA; 2. Excluding companies with negative EBITDA  
Source: Oliver Wyman Analysis

An aerial photograph of a winding asphalt road with yellow double lines, curving through a dense, lush green forest. A small white car is visible on the road. The text '04' is overlaid on the left side of the image.

**04**

**SOLUTION APPROACHES**

# THE SITUATION IS VERY CHALLENGING, BUT IT IS NOT YET TOO LATE TO ACT AND SEVERAL SOLUTIONS ARE AVAILABLE – WHILE TIME IS OF THE ESSENCE

<b>Strategic supplier portfolio management</b>	Focus on establishing relationships with OEMs, as they strategically build a pool of suppliers, including consolidation initiatives 	<b>New investor groups</b>	Re-entry of Chinese investors in Europe and new investors driving industry consolidation / roll-ups
<b>Industry consolidation</b>	Industry consolidation (organic/ inorganic) to reduce existing overcapacities and enhance market position 	<b>Government support</b>	Investments and product architecture aligned to what policy is rewarding 
<b>Regionalization</b>	Local supply chains and product variants to reduce costs and “move closer” to the customer	<b>Last man standing</b>	Long discussed, not yet dead in certain commodities, but not for the market as a whole
<b>Vertical Integration</b>	Integration along the complete supply chain to capture synergies and value 	<b>Exit option defense</b>	Replace automotive supplier business partially/ fully by growing defense business 

Source: Oliver Wyman analysis

A

# SUPPLIERS AND OEMS ARE INCREASINGLY STRATEGIC IN SELECTING THEIR PARTNERS TO AVOID COSTS AND DISRUPTIONS



OEMs are scrutinizing suppliers more closely to build a strategic (consolidated) pool of suppliers

- Intensification of risk **assessments and operational performance reviews** to ensure supply continuity, financial stability, and stable delivery under cost pressure
- Support of **investors on M&A concepts** to **consolidate several struggling suppliers** into larger and more stable suppliers
- Increased emphasis on **cost transparency**, productivity benchmarks, and **capacity monitoring** to manage efficiency and avoid production disruptions
- **Strengthening of governance** around claims management, contractual adherence, and supplier contingency planning



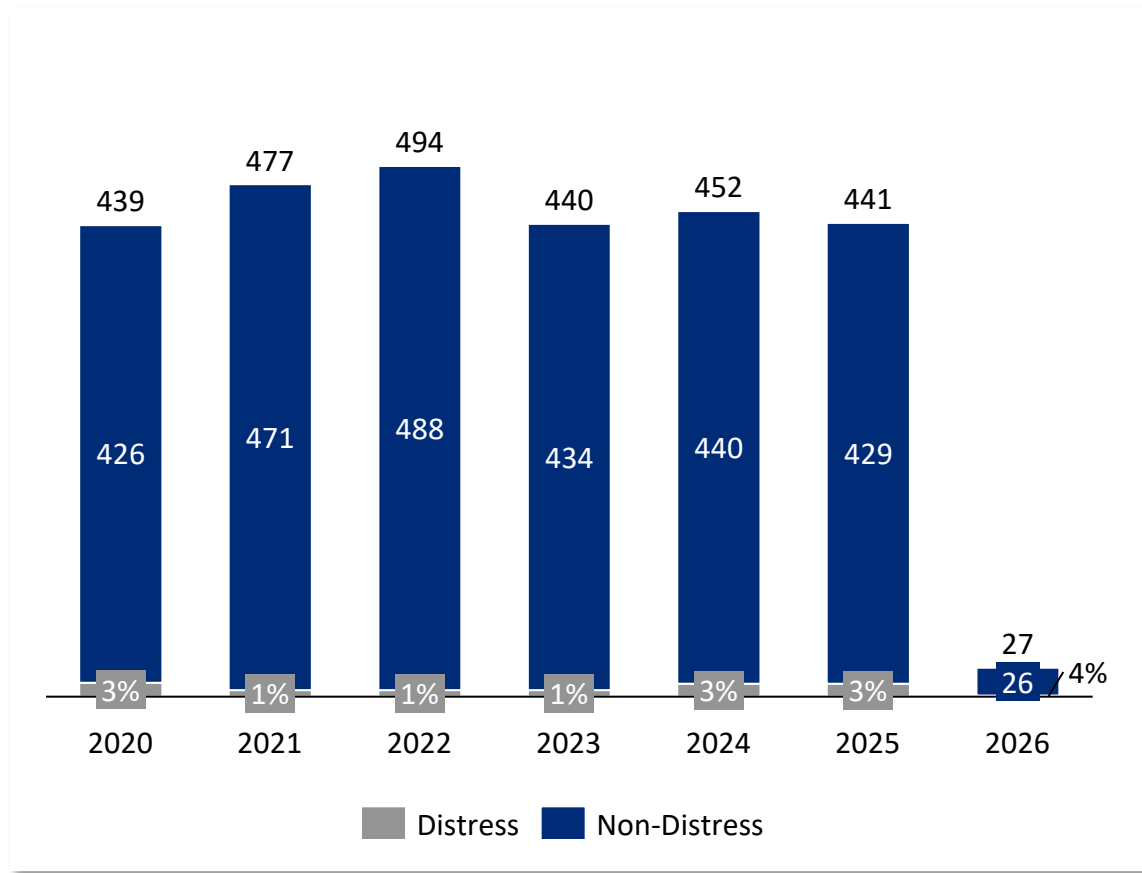
Suppliers are becoming more selective about their customers

- Preference for OEMs with **predictable call-off patterns**, stable volume commitments, and **realistic planning cycles**
- Increased focus on OEM financial reliability to reduce exposure to delayed payments or late adjustments
- Prioritization of OEMs that **share cost increases fairly**, especially for energy, labor, and raw materials, and willingness to absorb jointly caused inefficiencies










B

# CONSOLIDATION AMONG SUPPLIERS TO REDUCE OVERCAPACITY AND ENHANCE MARKET POSITION – WHILE EFFECTIVE, ONLY FEW RECENT EXAMPLES IN THE MARKET

Automotive industry<sup>1</sup> M&A deals by year in # of transactions, completed and pending



Examples of M&A transactions motivated by consolidation  
Not exhaustive

Transaction	Year	Motivation for the Merger	Benefits
  (ongoing discussion)	2026	Consolidation to gain scale, global footprint, and platform leverage with OEMs	Scale and improved competitiveness in a scale driven business
 	2025	Consolidation to create a larger diversified Tier-1 automotive supplier with greater scale across products	Larger combined scale and broader portfolio marketed under a single brand
 	2024	Strengthen software solutions for automotive	Improved service offerings and market penetration
 	2024	Build scale and a broader technology spanning ICE + e-mobility; consolidate overlapping capabilities	Cost/ revenue synergies and more complete electrified powertrain portfolio
 <b>GENTHERM</b>	2024	Increase scale and expand market presence	Enhanced operational efficiency and market diversification









1. NAICS segments: Automobile Manufacturing; Light Duty Truck Manufacturing; Heavy Duty Truck Manufacturing; Motor Vehicle Body Manufacturing; Motor Vehicle Electrical and Electronic Equipment Manufacturing; Motor Vehicle Gasoline Engine and Engine Parts Manufacturing; Motor Vehicle Transmission and Power Train Parts Manufacturing; Motorcycle, Bicycle, and Parts Manufacturing; Other Motor Vehicle Parts Manufacturing  
Source: Mergermarket, Oliver Wyman analysis

C

# COST CONTROL, QUALITY CONTROL AND SUPPLY CHAIN STABILIZATION ARE MAJOR DRIVERS FOR SUPPLIERS FOR VERTICAL INTEGRATION

## Examples of vertical integration and rationale for the move

Not exhaustive, based on publicly available information

Supplier	In-housed/Expanded Manufacturing Step	Description	Rational					
			Cost Control	Quality	Supply Security	Margin Capture	Reduce Logistics	EV Transition
 HELLA	Injection molding /plastics parts	Expanded in-house injection molding for plastic components	✓	✓	✓			
 FORVIA <small>Inspiring mobility</small>	Seating/Interiors	Expanded internal sub-assembly lines	✓	✓			✓	
 Valeo	Electronics manufacturing footprint	Expanded internal assembly capacity in selected plants	✓	✓	✓			
 ZF	E-drive components manufacturing	Expanded internal e-drive assembly lines	✓			✓		
SCHAEFFLER	E-motor components	Internalized more electric drive manufacturing steps	✓	✓				✓
BORGWARNER	E-mobility power electronics	Expanded assembly and testing capacity	✓		✓	✓		
 MARELLI	Lighting/electronics module	Invested in local assembly lines		✓			✓	
 LEAR	Seat sub-assemblies	Insourced selected assembly steps	✓	✓				
 ADIENT	Seat structures/welding automation	More in-house welded structures	✓	✓				
 MAGNA	Stamping/welding	Expanded structural assembly capacity	✓					

Source: Press research, Oliver Wyman analysis

D

# GOVERNMENT ACTION WON'T RESTORE MARGINS ALONE — SUPPLIERS WIN BY ALIGNING INVESTMENTS AND PRODUCT ARCHITECTURE TO WHAT POLICY IS REWARDING

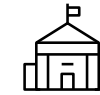
## Examples of government mechanisms supporting automotive suppliers

Extract, not exhaustive

Country	Import tariffs/ trade defense	Local content/ rules-of-origin	R&D tax credits/ super-deductions	CAPEX grants/ investment tax credits	EV/clean demand-side incentives	Skills/training subsidies	Strategic supply- chain programs (battery/critical minerals/semis)
	Very low	Very low	Very low	Very low	Very low	Very low	Very low
	Very low	Very low	Very high	Very low	Very low	Very low	Very high
	Very low	Very low	Very low	Very low	Very low	Very low	Very low
	Very low	Very low	Very low	Very low	Very low	Very low	Very low
	Very low	Very low	Very low	Very high	Very low	Very low	Very low
	Very high	Very high	Very low	Very high	Very low	Very low	Very high
	Very low	Very high	Very low	Very low	Very low	Very low	Very high
	Very low	Very low	Very low	Very low	Very high	Very low	Very high

**Very low usage/impact** (limited programs; not a major driver of supplier economics or sourcing)  
 **Very high** (central policy instrument; consistently shapes industry behavior and location choices)

Source: Oliver Wyman analysis



## Recommended actions to benefit from government mechanisms








- **Build an incentives radar + bid factory:** map every new plant/retooling/R&D project to eligible programs *before* site decisions.
- **Design-to-comply (RoO / local content / traceability):** treat origin and content compliance like a product requirement (BOM traceability, upstream contracts).
- **Dual-footprint strategy:** “in-region for region” capacity for NA/EU/China to avoid tariffs and qualify for credits.
- **Partner to qualify:** JVs, tolling, licensing, and contract manufacturing can achieve “local content” faster than greenfield.
- **Turn regulation into a sales argument:** offer OEMs a compliant, auditable supply chain (esp. batteries, electronics, critical minerals).

E

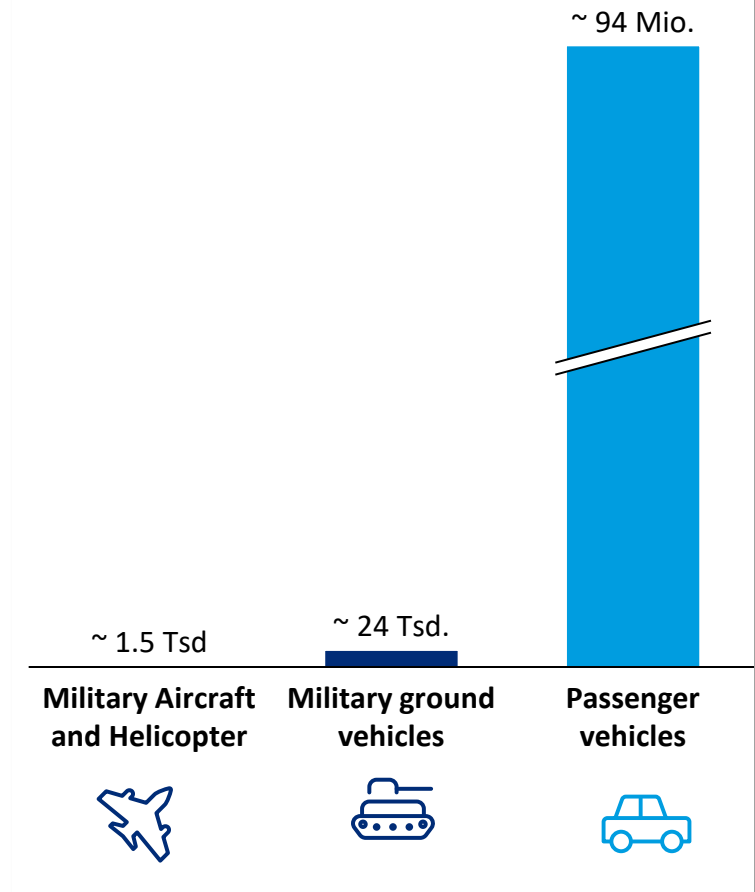
# DIVERSIFICATION INTO DEFENSE CAN BE A WAY TO COMPENSATE DECLINING AUTOMOTIVE BUSINESS – YET MARKET RELATIVELY SMALL AND UNTIL NOW ONLY FEW ‘REAL’ CASES

## Examples of automotive industry engagements in defense

Not exhaustive

Company	Defense move	Announcement date
 <b>SCHAEFFLER</b>	Intent to engage as supplier to weapons systems. Partnership with Helsing to support drone production	Jun. 2025 (Intent), Dec. 2025 (Helsing partnership)
 <b>VALMET AUTOMOTIVE</b>	Production of armored vehicles for a finish military company	Oct. 2025
 <b>Renault Group</b>	Discussion on potential drone production, no decision yet	Jun. 2025
 <b>DAIMLER TRUCK</b>	Partnership with ARX Robotics to integrate robotics/AI OS into MB Special Trucks for defence applications	Apr. 2025
 <b>VDL NEDCAR</b>	Nedcar auto plant to become a military production hub, hosting multiple defense firms	Mar. 2025
 <b>VOLKSWAGEN GROUP</b>	Open to discussions / concepts for military equipment production	Mar. 2025
 <b>Continental</b>	Collaboration with Rheinmetall on military vehicle sensors & electronic systems	Jun. 2024


Automotive annual deliveries vs. defense applications, in # of units per year, 2025




1. Accessible countries (excludes China, Russia, Iran, North Korea), excluding unmanned ground vehicles  
 Sources: GlobalData, 2025 Oliver Wyman Military Aircraft Forecast, Reuters, Janes (Feb 2025), expert interviews, industry press, Oliver Wyman analysis

# WHILE THE INDUSTRY IS GENERALLY UNDER PRESSURE, SUPPLIERS MEETING INVESTOR EXPECTATIONS CAN STILL ACHIEVE STRONG STOCK MARKET RETURNS


## Examples of suppliers with strong stock market performance<sup>1</sup>



**+54%**  
Revenue (1Y): +14%,  
EBIT-margin: 20.0%



**+50%**  
Revenue (1Y): +1.1%,  
EBIT-margin: 3.0%



**+51%**  
Revenue (1Y): -1.5%,  
EBIT-margin: 4.4%

## Consolidated view on success factors<sup>2</sup>

Success factor		Best practice for suppliers
<b>Customer &amp; product mix</b>	Diversified customer base, strong innovation, adapted business mix per market opportunities	Pursue diversification across regions, customers, products
<b>Global reach / local depth</b>	Meaningful China business with local OEM partnerships	Build local organization in China/other growth markets, integrate with regional OEM programs
<b>Modularity &amp; engineering</b>	Product, design, and manufacturing engineering expertise (esp. modular platforms)	Prioritize R&D in modular products for flexible fulfillment and customer solutions
<b>Content growth</b>	Grow content per vehicle, outpacing market average	Proactively identify/invest in emerging megatrends
<b>“Self-help” levers</b>	Unlock SG&A and other efficiencies even when end-markets are flat or challenged	Prioritize internal improvements (“self-help”), not just waiting for market upturns
<b>Cost offsets</b>	Achieve ~100% recovery of direct tariff/cost exposures through customer engagements	Aggressively work for cost pass-throughs and offsets; not bearing the brunt of policy shocks
<b>Proactive restructuring</b>	Roll off unprofitable programs (e.g., metals in EU) and use targeted restructuring	Review product/program profitability and take action to wind down weak spots
<b>Financial discipline</b>	Consistent positive free cash flow; strict capex control (<5% sales); fast deleveraging	Make FCF and balance sheet metrics central to strategy, sustain capex discipline
<b>Cost structure</b>	Aggressive cost take-out, recurring cost reviews, optimize industrial footprint	Maintain dynamic cost structures; real-time network optimization
<b>Execution &amp; comms.</b>	Deliver on guidance and earnings in tough environments	Guide conservatively and communicate assertively with capital markets

1. 18.02.2025 – 19.02.2026; 2. Based on the three examples analyzed | Source: JPMorgan, Kepler Chevreux, BNP Paribas Exane, Morgan Stanley, Deutsche Bank, Oliver Wyman analysis

# OLIVER WYMAN CONTACTS



## **DR. MAXIMILIAN MAJIC**

*Partner/Automotive & Restructuring  
Munich, Germany*

+49 152 54551479  
maximilian.majic@oliverwyman.com



## **SIMON SCHNURRER**

*Partner/Automotive & Operations  
Frankfurt, Germany*

+49 152 07633804  
simon.schnurrer@oliverwyman.com



## **JÖRG GIEBELS**

*Principal/Automotive & Restructuring  
Munich, Germany*

+49 174 1352850  
joerg.giebels@oliverwyman.com



## **REMIGIUS ERHARDT**

*Principal/Automotive & Restructuring  
Munich, Germany*

+49 172 7370748  
remigius.erhardt@oliverwyman.com

*Contributors: Thomas Schiel (Automotive Research Expert, Munich, Germany)*

**OLIVER WYMAN**  
A MARSH BUSINESS