

PRESS RELEASE

THE BERYLLS TOP 100 SUPPLIER STUDY 2022

CHINESE SUPPLIERS ARE GAINING IN IMPORTANCE, TO THE DISADVANTAGE OF THE GERMANS AND JAPANESE

- In 2021, business development in the supplier industry was positive again. Average profitability more than doubled from 2.6 to 6.3 percent.
- Chinese companies recorded the biggest sales gains at 40 percent, followed by American and German suppliers.
- In terms of their international sales performance, the German and Japanese supplier groups are losing ground, while the Chinese are gaining.
- Eleven years of Berylls Top 100 supplier study: A look shows a lot of movement. After a record year in 2019 (917 billion euros in sales), sales in 2021 will be just under 900 billion euros, only about two percent below the all-time high and more than well above the level of 2011 (663 billion euros). While companies with annual sales of 1.6 billion euros made it into the ranking in 2011, at least 2.5 billion euros were needed in 2021.

Munich, Detroit, Seoul, June 8, 2022, For the eleventh year in a row, Berylls Strategy Advisors has analyzed the world's 100 largest automotive suppliers as part of its major Top 100 supplier study. Unlike 2020, which was impacted by the special effect of Corona, 2021 was massively affected by the ongoing pandemic, the chip crisis and the intensified situation on the raw materials markets. Nevertheless, many suppliers will again be able to report significant increases in sales and profits in fiscal 2021. Step by step, they are approaching pre-industrial levels. Large-scale restructuring measures are playing their part. Sales of the world's 100 largest automotive suppliers in 2021, for example, will be 13.4 percent higher than in the previous year, which was dominated by Covid-19. In total, they amount to 899 billion euros, only just under two percent less than in 2019, the strongest year to date. Average profitability can also be increased significantly again to 6.3 percent and is thus at the same level as in 2018/2019. The group of German suppliers is also participating in this positive development, albeit to a lesser extent than their Chinese competitors.

HARDLY ANY MOVEMENT IN THE TOP TEN, MOST IMPORTANT CLIMBER INTO THE TOP GROUP IS CATL.

For the seventh year in succession, Bosch has defended its first place in the global list of the 100 largest automotive suppliers. Overall, there is no movement in the top five. As in the previous year, two other German companies are ranked third (Continental) and fourth (ZF



Friedrichshafen). Magna holds its own in 5th place. 2021 also went well for tire manufacturers Michelin and Bridgestone, who retain their positions in 8th and 9th place.

In 2020, Weichai Power caused a real sensation. Weichai Power was the first Chinese supplier ever to break into the top 10. The company, which evolved from a manufacturer of diesel engines and is now active in the truck and car software segment, was unable to maintain its position in the top segment, slipping to a still very respectable 12th place in 2021.

Nevertheless, CATL, a Chinese company, continues to be represented in the top 10. The battery manufacturer jumped into the top group for the first time with sales growth of 184 percent compared to the previous year, thus writing a unique success story within the top 50. Berylls partner and supplier expert Alexander Timmer: "That a battery manufacturer would move into the top 10 is hardly surprising. Even in the difficult year 2021, the demand for batteries was so great that CATL was one of the big winners. In any case, the Chinese group is a good acquaintance within the top 100. In the 2018 ranking, CATL was still in 71st place, but has since shown impressive development."

CHINA'S SUPPLIERS CONTINUE TO GROW, NOT IN NUMBER IN THE TOP 100, BUT IN REVENUE.

But China's suppliers are strong in more than just new powertrain technologies, as evidenced by Citic Dicastal's performance. The company, whose core products are light alloy wheels for cars and trucks, shot up an impressive 26 positions in the Top 100 ranking and finds itself in a strong 62nd place in this year's overview. A total of nine Chinese suppliers made it into the Top 100. The Chinese supplier cluster can benefit greatly from local and national industrial policies, which are intended to strengthen the Chinese domestic market on the one hand and fuel expansion into leading international markets on the other.

Thus, the contribution of Chinese suppliers to international sales development is growing steadily. In 2018, it was still at five percent; in 2021, the Chinese can already claim a nine percent share. The growth is coming at the expense of German and Japanese suppliers. Germany accounted for an impressive 23 percent of total sales in 2018, while Japan contributed 27 percent. Both nations have since recorded painful declines. German suppliers now account for only 21 percent of the industry's total global sales, while the Japanese contribute 24 percent. If the Chinese consistently continue their success story, they will take the lead in the global supplier ranking in 2028 and displace the German competition from the top group.

RECOVERY FROM COVID LOCKDOWN.

In the Covid lockdown year of 2020, suppliers and OEMs suffered severe declines in sales and profitability. As a result, no more than eight of the companies listed in the top 100 overview were able to show any sales growth at all in 2020 compared to 2019. In the past year, the picture has practically turned around completely. Only ten of the world's 100 largest suppliers were unable to increase their sales. These low-performers include: Yazaki, Panasonic,



Mitsubishi Electric, GKN, Thyssen Krupp Automotive, NSK Group, NHK Spring, NGK Spark Plug and TS-Tech. Seven of them belong to the Japanese supplier cluster.

The fact that 2021 was a successful year for the industry is also reflected in the fact that 58 suppliers are already generating higher sales again in 2021 than before the outbreak of the pandemic. Compared to 2020, average profitability has more than doubled from 2.6 to 6.3 percent.

However, the success is not equally distributed across the industry. It mainly affects companies in the semiconductor industry. Paradoxical as it may sound, the semiconductor shortage has played a major role in the positive overall market development. What led to cutbacks in production at OEMs and fully parked logistics areas with unfinished vehicles enabled chip suppliers to set sales, revenue and profit records in 2021. Semiconductor manufacturers were able to increase their automotive sales by an average of 34 percent. They achieved margins of 19 percent, while the Top 100 average was a rather meager 6.3 percent and thus even below that of the OEMs, which were able to achieve a ten-year high of 7.4 percent with their focus on the premium segment.

EXPENSIVE RAW MATERIALS DEPRESS PROFITABILITY.

With the end of the global lockdowns, the economy recovered rapidly and developed an unprecedented hunger for raw materials. As a result, prices for various metals and plastics reached record highs in 2021, spoiling the industry's business. It was not only the metals important for battery and electric vehicle production, such as nickel, cobalt and lithium, that were affected. The prices of common industrial metals and plastics also rose significantly from 2020 to 2021: copper +23.5 percent, steel +66.7 percent, aluminum +37.8 percent, magnesium +130.5 percent, brass +34.3 percent and polypropylene +94.4 percent. The high raw material prices hit suppliers so hard because they were largely unable to pass them on to their customers. The situation is not expected to change in the short term; on the contrary, prices are expected to continue to rise, partly as a result of the war in Ukraine. The embargo against Russia cuts the industry off from its most important supplier of palladium and nickel, and at the same time Ukraine is at least partially eliminated as a supplier of the noble gas neon, which is an important component in semiconductor production.

GROWTH ENGINE E-MOBILITY.

E-mobility is now a major concern for the industry. Bosch's activities in this area, for example, are expected to grow by 500 percent by 2025. The world's largest supplier currently claims to have generated one billion euros in sales in this sector last year. ZF can secure an order volume of 14 billion euros in 2021, further expanding its position in electric components. Many major suppliers for electric driveline and autonomous driving components come from Germany. In addition to the aforementioned companies Bosch and ZF, Continental, Dräxlmaier and Leoni are also able to improve their positions in an international comparison and realize average sales increases in the double-digit percentage range compared to the previous year. The fact that e-mobility, as well as autonomous driving and ADAS systems, are growth drivers can be seen in comparison with the industry average: manufacturers from these segments



are generating a twelve-percent increase in sales on average. But the road to success remains rocky, because at the same time the transformation demands high development expenditures with payback periods of several years. This depresses profitability in the early years with low production volumes; it is below average at six percent in 2021.



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