

## PRESS RELEASE

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### BERYLLS TOP 100 SUPPLIER STUDY 2023

#### **Suppliers' sales grow, but their margins continue to decline**

- Sales record of the 100 largest suppliers worldwide - the trillion-euro mark was exceeded for the first time.
- The latest Berylls TOP 100 supplier study shows growth rates of up to 127 percent.
- The growth is being driven by the increase in vehicle production last year and price increases.
- Korean and Chinese suppliers are making exceptionally strong gains, while the market share of German and Japanese companies continues to decline.
- Overall, margins are falling due to higher material and energy costs, and the gap between OEMs and suppliers is once again widening.

**Munich, June 28. 2023** This year, for the twelfth time in a row, Berylls is highlighting the key developments and challenges facing the world's 100 largest automotive suppliers in its TOP 100 Supplier Study 2023. One of the positive news is that the industry has overcome the consequences of the Corona pandemic. And the approach to pre-Corona normality is again reflected in strong sales growth, measured against the previous year. However, there is only limited cause for celebration, because increased producer prices are causing margins to shrink, and the supplier industry is still under pressure. However, this pressure is not evenly distributed worldwide.

While Europe has suffered from high energy costs, Chinese companies have hardly been affected. This effect was particularly strong in Germany, where producer prices rose by 32.9 percent year-on-year, driven mainly by energy prices, which increased by 86.2 percent.

In fact, just under half of the TOP 100 suppliers improved their margins, partly because they were less dependent on higher producer prices than companies located in Germany and were able to pass on the price increases to manufacturers. Higher material costs, supply chain issues and higher energy costs are expected to continue to be felt into next year.



## **Records set in 2022, one trillion euros cracked**

However, a look back at the figures for 2022 also reveals an impressive record. Thanks to price increases and higher automotive production, the TOP 100 suppliers were able to increase their sales by 16 percent compared to the pre-Corona year 2019. The cumulative sales of all the companies considered, at 1,064 billion euros, were above the sonic barrier of one trillion euros for the first time. And yet the professional stability of the suppliers collapses significantly with an average of 5.6 percent (6.3 percent in the previous year), it was lower only at the height of the pandemic. The situation is quite different for the OEMs, whose highs are continuing. The top 10 OEMs were able to increase their average margin to an impressive eight percent, exceeding the previous year's high figure of 7.4 percent.

A look at profitability shows that Chinese suppliers in particular are in a more favorable situation than their competitors. Between 2012 and 2022, the average profitability of Chinese companies was 7.8 percent, well above the industry average of 6.8 percent. Only American suppliers can achieve a similar level, with average margins of eight percent. Companies from Japan, Korea and Germany, with comparatively low margins of 6.3 percent, 5.7 percent and 5.8 percent respectively, lag far behind.

## **Shifts in favor of Chinese suppliers expected**

Alexander Timmer, Partner at Berylls Strategy Advisors: "We expect the revenue and margin shifts in the major supplier markets to continue in favor of Chinese suppliers in the coming years. The key drivers here are the ongoing electrification and digitalization of vehicles." The fact that not all Chinese suppliers will have a share in this is exemplified by Weichai Power. In 2020, the company caused a real sensation. Weichai Power was the first Chinese supplier ever to break into the phalanx of the top 10 of Beryll's TOP 100. However, the company, which emerged from a manufacturer of diesel engines, is unable to maintain its position in the top segment, slipping to 12th place in 2021 and finding itself in 25th place this year. No other company has to cope with a similarly large drop in sales (-30.1 percent).

Battery manufacturer CATL, represented in the ranking since 2018, represents the other extreme. The battery manufacturer improved its position in the ranking by three places to seventh place and increased its sales by 84.5 percent. Within the TOP 100, no other supplier even comes close to this outstanding success. In 2022, CATL was the biggest beneficiary of a trend that has made batteries and semiconductors the key growth drivers and professional guarantors of the supplier industry.

However, this trend is not new. Semiconductor manufacturers have seen annual growth of 44.3 percent since 2015, and battery manufacturers have seen growth of as much as 84.1 percent since 2017. CATL is making a significant contribution to this, flanked by battery manufacturers such as SK on, Samsung SDI and LG Energy Solution. In 2022 alone, battery manufacturers achieved an average profitability of 10.6 percent, while the industry average was just over half that at 5.6 percent.



## **Impressive momentum in a technology-driven industry**

The increasing importance of batteries and semiconductors in current and future vehicle architectures is clearly reflected in the ever-changing composition of Berylls TOP 100; more dynamism has never been seen in the technology-driven industry. Compared to 2012, twelve new suppliers alone have moved into the TOP 100 ranking as a result of the technological transformation toward electric, software-defined vehicles. In 2022, these accounted for a nine percent share of sales among the hundred largest suppliers. In 2017, the share was still around one percent.

Nevertheless, the manufacturers of legacy components can not be written off. In addition, twelve other suppliers from traditional product groups such as glass, brakes and lamps have made it into the TOP 100 ranking over the past ten years. These include suppliers such as CIE Automotive, Fuyao Glass and SL Corporation. A further nine new additions were the result of transactions. Examples include the start-ups of Aptiv, Adient and Vitesco Technologies.

As a result, the composition of the TOP 100 has changed significantly in the recent past. Against the background of ongoing technological change, it is to be expected that the dynamics in the supplier industry will continue to increase. However, not all automotive nations will benefit equally from this. The market share of the largest supplier countries, Japan and Germany, continues to decline and will total 42 percent in 2022. Korean and Chinese suppliers, on the other hand, are growing significantly and gaining market share. In the U.S., the IRA (Inflation Reduction Act) is creating a whole new market. So there will be a lot of movement in the supplier industry. In fact, there will be more movement than some companies would like.

For much more information and the TOP 100 table please visit: <https://www.berylls.com/category/top-100/>



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**Berylls Strategy Advisors** – With its comprehensive know-how, the top management consultancy serves the entire automotive value chain – from strategic conception to improving operational performance.

**Berylls Digital Ventures** – The Digital Ventures team offers to build new business models for clients or develops and operates digital products for them – end-to-end. Berylls Digital Ventures invests in start-ups and builds white-label digital products that customers can integrate in their digital presence.

**Berylls Mad Media** – Mad Media's experts develop and implement data-driven marketing, integrated portfolio and service design, all the way to holistic process and IT architectures.

**Berylls Equity Partners** – In the Berylls Quartet, Equity Partners is an investment company backed by strong anchor investors that acquires companies in the mobility industry to improve them operationally and realign them strategically.

**Berylls Green Mobility** - We believe that sustainability will bring competitive advantage in the real world of global automotive business. Whether in an advisory capacity to external clients and other Berylls entities, or through our unique Wall-E charging service - the first free infrastructure initiative for electromobility that helps put drivers' interest in electromobility on the road - Berylls Green Mobility is driving the shift toward sustainable automobility.

Together with its specialized cooperation partners, Berylls has deep technological know-how, broad market understanding and powerful networks to develop solutions that are strong in implementation.

The future is coming. But different.