

# The Road Ahead for the Automotive Industry

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Since the onset of the COVID-19 pandemic, stakeholders in the automotive industry have been severely impacted. OEM suppliers have operated against multiple industry disruptions, including declining automaker outputs and the rapid rise in labor costs, raw material prices, and premium freight charges. Moreover, the Russia-Ukraine war has led to production cuts and decreased sales forecasts for the next few years in the auto industry.

Many factories have shuttered in Eastern Europe, and raw material prices have spiked even more so than the COVID-19-related increases. Adding to the pressure, the global semiconductor shortage has sent shockwaves through the industry, as volatility in production schedules have made it difficult for suppliers to plan for their own plant operations. As a result, long-term headwinds could threaten the business model of certain stakeholders in the automotive industry.

Yet, some would say that the industry has remained surprisingly resilient, with fewer in-court restructurings than anticipated over the past few years. Nonetheless, many of the players in the automotive industry, from OEMs to suppliers, will have to strategically think about the next few years in the ever-changing landscape of their industry. And certain stakeholders, particularly those specializing in exhaust systems and internal combustible engines (ICE), may even need to reconfigure their business model with the continuing rise of electrification and autonomous vehicles, as they will likely face decreased demand for their core product offerings.

Given the potential vulnerabilities and ever-changing landscape of the industry, I am pleased to present five thought-provoking articles by leading experts in the auto industry. We appreciate these authors' insights on the topics presented and their willingness to share their thoughts with our TMA members.

Greg Urban of Stifel and Alex Rohan and Kevin Haggard of Miller Buckfire & Co. discuss the difficulty that OEMs and suppliers face in operating their business in one of the most challenging operating environments of recent times. Although the industry has proven itself to be incredibly resilient over

the past few years, macroeconomic data suggests that the industry may be entering a new era of challenges.

Aaron Racey and Jack Williams of Riveron discuss the cumulative toll that macroeconomic trends have taken on suppliers over the past few years, and the continued pain that the industry may face in the near and long terms. More specifically, they conclude that the current trends will likely cause automotive suppliers to struggle as they attempt to weather yet another year of depressed earnings due to potentially lower-than-expected volumes, supply chain issues, and margin challenges.

Adam Hollerbach, Michael Eisenberg, and Bill Kocovski of AlixPartners discuss best practices to manage headwinds in the industry, especially with ICE-focused suppliers. While discussing many of these headwinds, the article also explains several actions that professionals and companies can take to mitigate against existing challenges.

Marc Weinsweig of WeinsweigAdvisors and Marcus Lyu of Palm Tree LLC discuss the operational aspect of the aftermarket automotive sector and how companies should strategically think about top line revenue in the context of the changing landscape of operating costs, including the rise in interest rates, energy and fuel, inflation, and any number of other economic factors.

Bob Mason of The Daedalus Group focuses on executive leadership and prominently leading a company to success, particularly one that is navigating in distressed waters. The article emphasizes the recipe for success at any company that is going through a turnaround and the development of its personnel to achieve the skills necessary to bring a team together and get the best results for the company. ■