

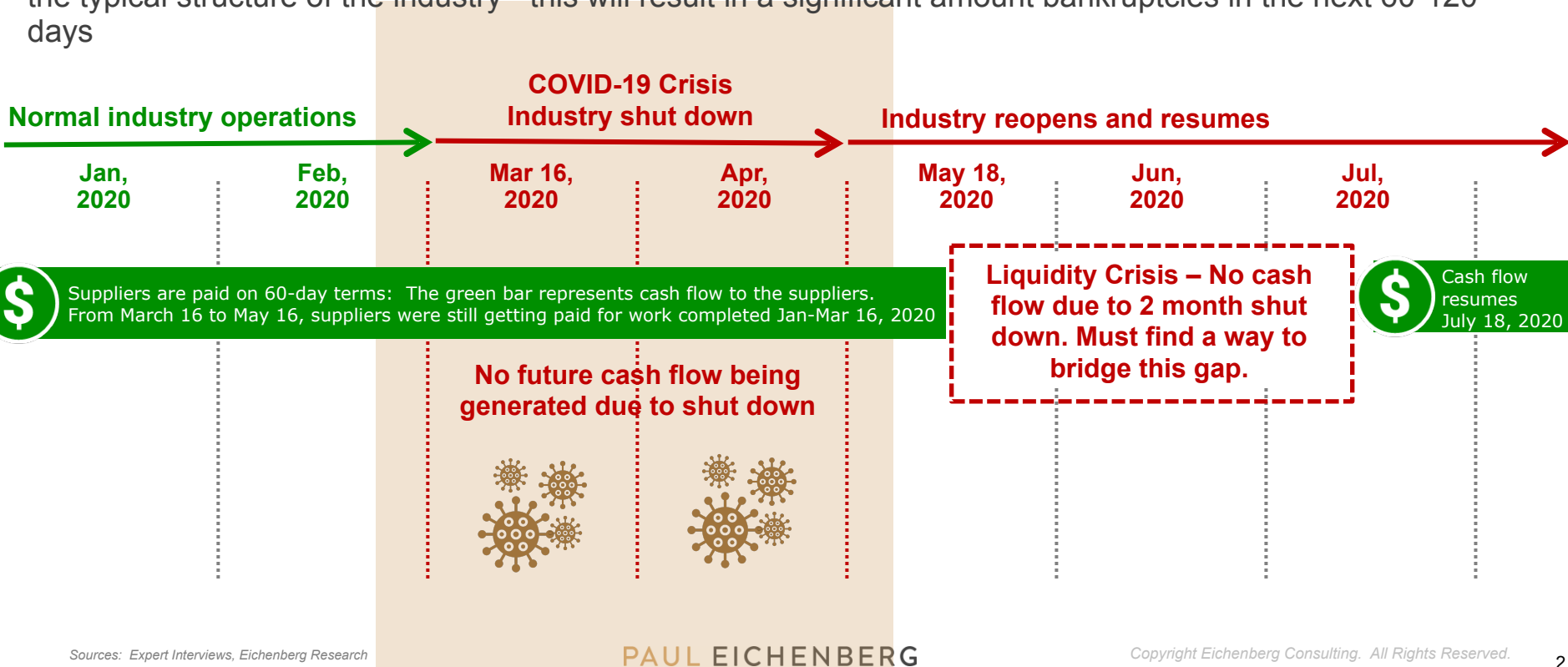


STRATEGIC CONSULTING



Impact of COVID-19 on Auto Supplier Cash Flow and Liquidity

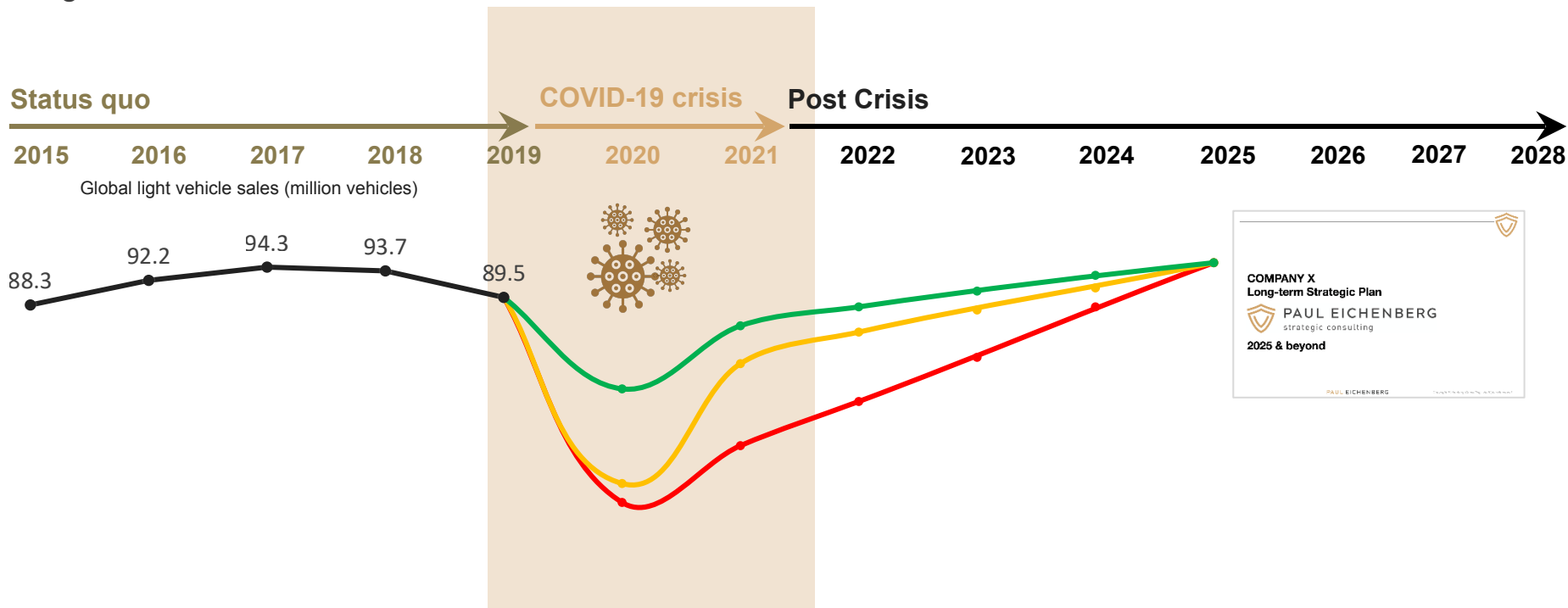
We forecast a tremendous liquidity crisis mounting within the global automotive supply base considering the typical structure of the industry - this will result in a significant amount bankruptcies in the next 60-120 days





Impact of COVID-19 – A period of great uncertainty

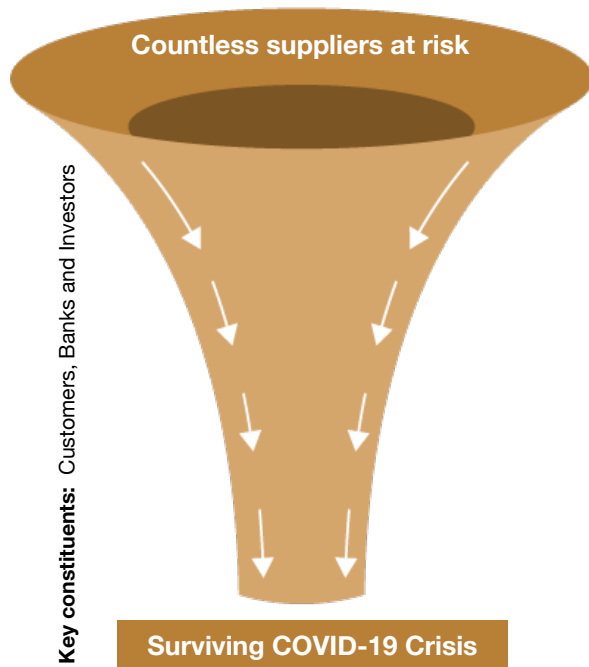
As we move into a period of great uncertainty, planning for multiple scenarios is critical action for every organization





Survivability funnel – Eichenberg Liquidity Crisis model

As suppliers file covenant compliance certificates with their banks at the beginning of next quarter, very few suppliers will not be at risk – surviving will be dependent on three items:



Required Action	Goal	Critical Activity
1 Financial:	Pull all necessary levers to preserve cash	<ul style="list-style-type: none">• Suspend dividends• Stop CAPEX projects• Stop paying suppliers• Layoffs, furloughs, etc.
2 Operational:	Execute on short-term projects to improve cash generation and earnings power will off-setting cost associated with distancing	<ul style="list-style-type: none">• Attack competitors• Secure supply chains• Exit non-core business & customers• Secure core talent
3 Long-Term Strategy:	Clearly and quickly articulate to customers, banks and investors long-term viability	<ul style="list-style-type: none">• Articulate vision and winning position• Portfolio re-prioritization• Gap analysis and required actions



Impact of COVID-19 – Trend analysis

COVID-19 is already having a profound impact on our industry – here is the early effects:

Financial trends: - +

- Receivables
- Dividends
- CAPEX
- Debt
- Leverage
- ROI
- Valuations
- Access to capital
- Bankruptcy

“There is no risk for running out of cash!”

Operational trends: - +

- Pricing pressure
- Operating costs
- Labor costs
- Supplier risk
- LCC Production
- Conquest sales
- Digitalization
- Efficiency
- Talent Access

“We will take business away from our weak competitors!”

Strategic trends: - +

- Globalization
- Ability to invest
- Ride-sharing
- EV Growth
- Micro-mobility
- Data/connected
- Software importance
- Robo-taxi
- M&A/Consolidation

“We have pre-positioned our resources in key green areas!”

NOTE: - Worse due to COVID-19 crisis. + Improved due to COVID-19 crisis
Sources: Eichenberg Research and Analysis

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