

NORTH AMERICAN AUTOMOTIVE PRODUCTION FORECAST SUMMARY

Q4 2021

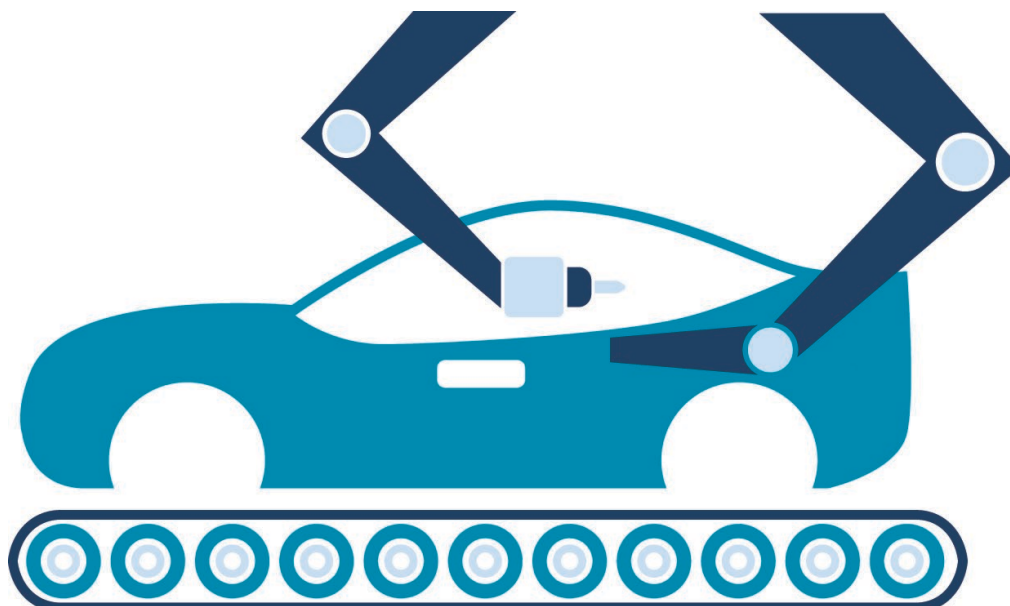


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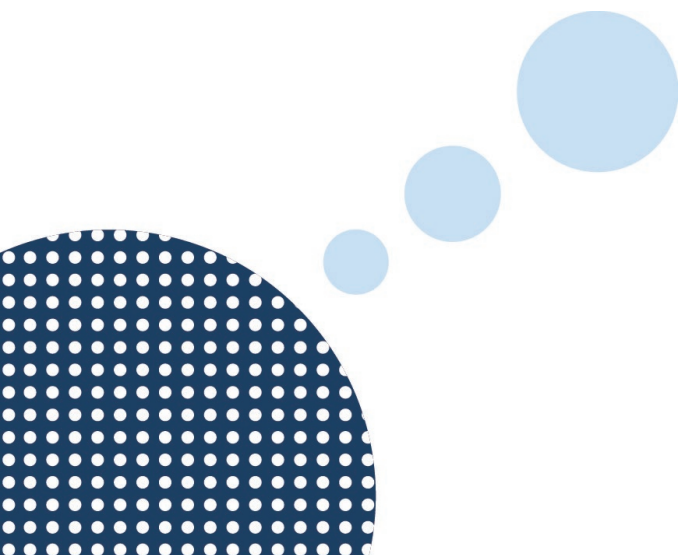
“

We combine financial expertise with a hands-on “shop floor” approach.

We provide solutions that get you results.

”

Automotive
leadership
defined



QUARTERLY SUMMARY

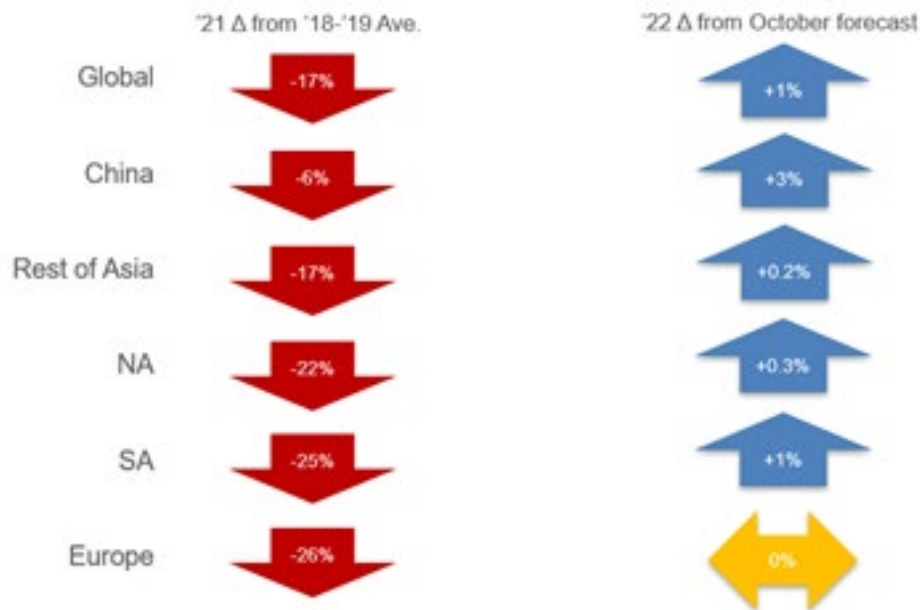


		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
United States	GDP Growth	2.9%	2.3%	-3.4%	5.7%	4.4%	2.3%	1.9%	2.0%	1.9%	1.8%	1.7%
	Consumer Spending Growth	2.9%	2.2%	-3.8%	8.1%	4.3%	2.5%	2.2%	2.2%	2.1%	2.1%	2.0%
	Short-term Interest Rate	2.3%	2.3%	0.7%	0.2%	0.3%	1.0%	1.6%	2.0%	2.1%	2.1%	2.2%
	Unemployment Level	3.9%	3.7%	8.1%	5.4%	3.9%	3.6%	3.5%	3.5%	3.5%	3.5%	3.5%
Canada	GDP Growth	2.8%	1.9%	-5.2%	4.5%	4.3%	3.2%	1.6%	1.8%	1.7%	1.5%	1.6%
	Consumer Spending Growth	2.6%	1.4%	-6.1%	5.2%	5.6%	3.7%	2.4%	2.1%	2.0%	2.0%	2.0%
Mexico	GDP Growth	2.2%	-0.2%	-8.4%	5.5%	2.7%	2.8%	2.3%	2.1%	1.8%	1.8%	1.8%
	Consumer Spending Growth	2.6%	0.4%	-10.7%	8.0%	2.8%	2.5%	2.0%	1.9%	1.8%	1.8%	1.9%

NORTH AMERICAN ECONOMIC OUTLOOK

- US** –The US economy is performing well despite the inflation and renewed COVID-19 risks with the Omicron variant. As a result, Oxford Economics (OE) has increased the 2021 GDP growth forecast by 0.2 pp to 5.7% and nudged up 2022 and 2023 by 0.1 pp. The Fed’s recent hawkish pivot indicates it will likely double the pace of its QE tapering in 2022. Interest rate expectations in 2023 have been increased by 0.2 pp and rising rates are now expected to continue into 2024-2026 with an average increase of 0.3 pp over the three-year period.
- Canada** – While some recent signals have suggested improvement, Canada’s economic recovery is being delayed by intensifying supply disruptions and surging energy prices, which will drag on growth and push inflation higher through mid-2022. Accordingly, OE has cut the 2021 GDP growth forecast by 0.3 pp in 2021 and 0.1 pp in 2022 since last month.
- Mexico** – OE has cut the 2021 and 2022 GDP growth forecast, as weaker-than-expected activity in Q3 and downside risks stemming from the rise of the Omicron coronavirus variant warrant a more cautious near-term outlook. 2021 was cut by 0.6 pp from last month and 2022 by 0.2 pp to 2.7%.

CURRENT REGIONAL LV PRODUCTION METRICS



NORTH AMERICA LIGHT VEHICLE SALES OUTLOOK



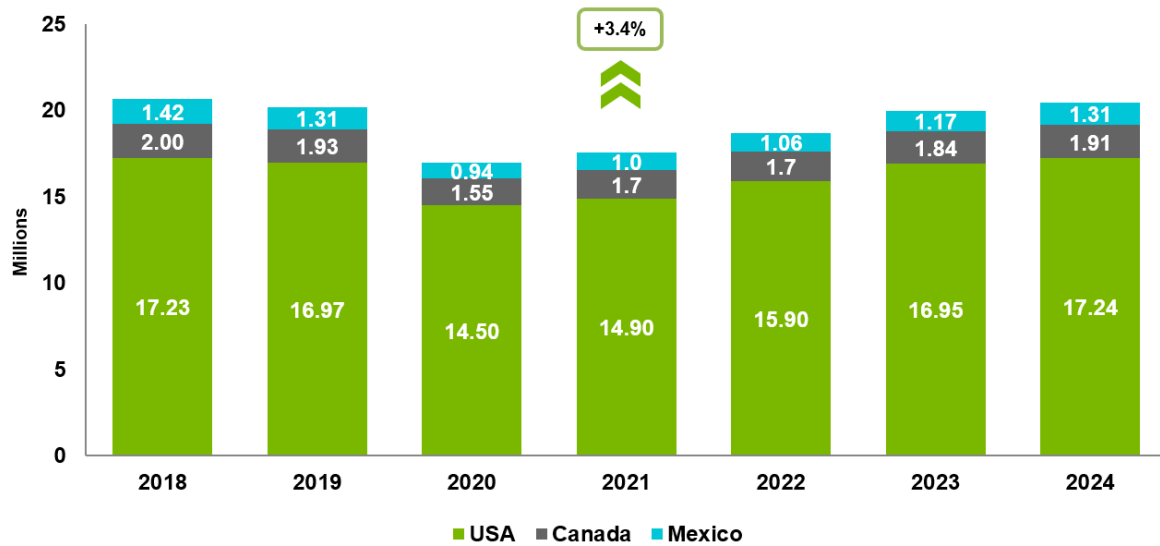
↑	2021
+2.8%	14.9 mn



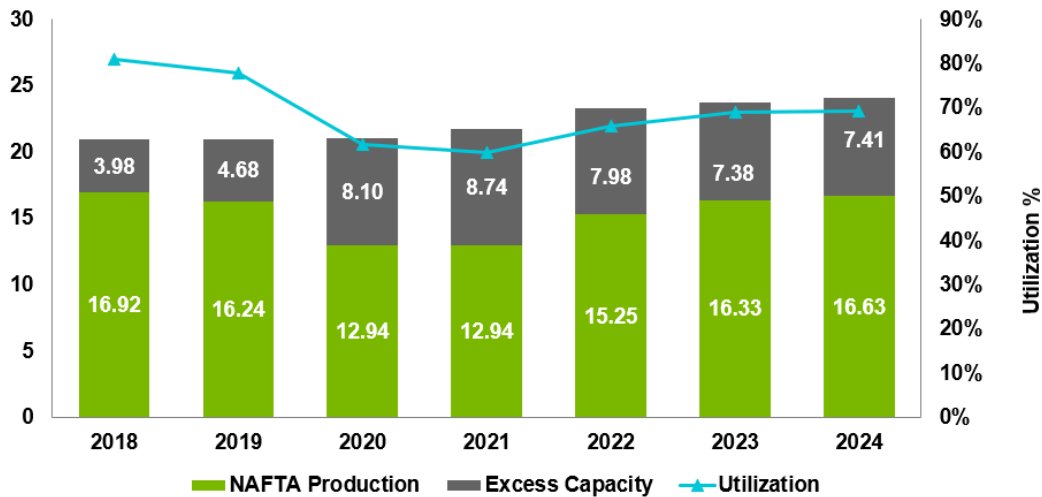
↑	2021
+7.1%	1.7 mn



↑	2021
+6.4%	1.0 mn

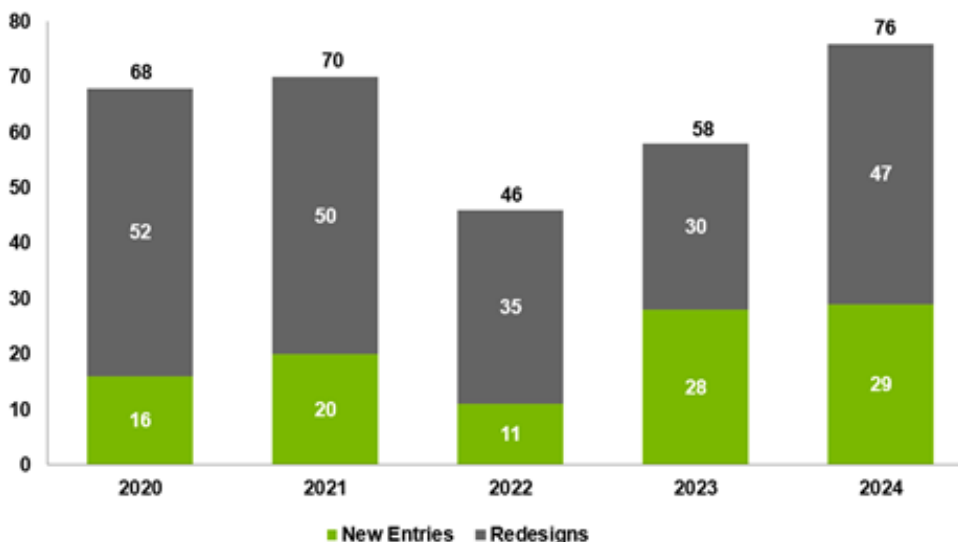


NORTH AMERICAN PRODUCTION AND CAPACITY LONG-TERM TREND

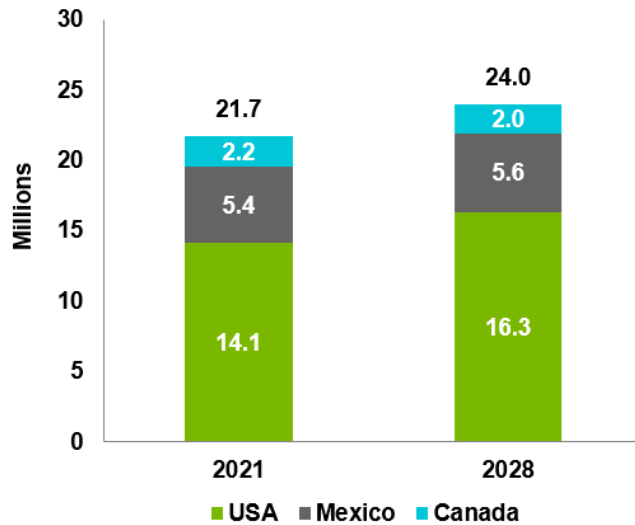


- Despite the headwinds on output, production through November 2021 was up over 2020's pandemic-impacted total by 1.2%, but it is the lowest total through the first eleven months of the year (excluding 2020) since 2010. Production of SUVs has increased by 8.3% (+462k units) over this period but has plunged 11.8% (-808k units) from 2019. As a result of waning consumer demand and OEMs' prioritization of available semiconductors to higher margin Pickups and SUVs where possible, Conventional Car output has plummeted 21.0% (-626k units) YoY through November, and a massive 42.6% (-1.7 mn units) from the same period in 2019.
- With tepid demand and November production slightly improved over October (1.13 mn vs 1.10 mn), US inventory at the end of November increased by nearly 3% from the end of October but has still tumbled by 64% from a year ago to 1.05 mn units. Higher inventory levels were offset slightly by a quicker US selling rate that caused the end of November days' supply to fall slightly to 25 days, from 26 the previous month. We expect lean inventory to be part of the landscape for the foreseeable future: this will constrain demand over the remainder of the year and most likely through all of 2022.

NORTH AMERICAN PRODUCTION: MODEL LAUNCHES



INVESTMENT POURS INTO NORTH AMERICA



2020 vs. 2028

	Δ 1000s	Growth % Δ
Canada	-129	-6%
Mexico	215	4%
USA	2,193	16%
Total Capacity	2,279	11%

INVESTMENT IN MEXICO

- Toyota – Guanajuato
- GM – San Luis Potosi (GM)
- JAC – Hidalgo
- Ford – Cuautitlan

INVESTMENT IN THE US

- Arrival – Charlotte
- Workhorse – Union City
- Toyota – Huntsville, Evansville West
- Mazda – Huntsville
- Rivian – Normal, East Atlanta
- Hyundai – Montgomery
- Volvo – Ridgeville
- Stellantis – Mack Assembly
- GM – Wentzville, Warren Tech Center, Hamtramck
- VW – Chattanooga 2
- Daimler – North Charleston 2
- Lucid – Casa Grande
- Bollinger – Dearborn
- Ford – Avon Lake, Chicago SHO Center, Rouge Electric Vehicle Center, Stanton
- Tesla – Fremont, Austin
- ELMS – Mishawaka (ELMS)
- Canoo – Pryor
- Faraday – Hanford
- LMC – Lordstown (Foxconn)
- Oshkosh – Spartanburg
- Mullen – Tunica
- VinFast – Los Angeles (VinFast)

ABOUT UHY LLP

THE NEXT LEVEL OF SERVICE

Our commitment to client service is personable, value-added and cost-effective. Our goal is to exceed our clients' expectations on every engagement. These fundamentals are the foundation of our practice:

- Established in 1968
- Hands-on partner involvement and more partner attention
- Up front discussion of issues to get it right the first time
- Economical fee structure
- Local professionals with an excellent understanding of your business
- National and global staff with locations and resources to meet your every need
- In-depth technical knowledge and industry-specific expertise
- Dedicated client-focused engagement teams
- Certified and experienced in most states to provide accounting services

THE RIGHT SIZE

We deliver solutions and bring unparalleled industry experience in all geographic markets.

Michigan. Our local practice is the 5th largest accounting firm in Southeast Michigan with over 450 employees in Ann Arbor, Detroit, Farmington Hills, Port Huron and Sterling Heights.

United States. Our national practice is one of the top professional services firms in the country. We have 25 offices across the US to serve you.

Worldwide. Urbach Hacker Young International Limited (“UHY International” or “UHYI”) is the 18th largest international accounting and consultancy network, with over 8,200 professionals in over 330 cities across more than 100 countries.

GLOBAL REACH

As an independent member of Urbach Hacker Young International Limited (“UHYI”), we are able to call upon the resources of professional service firms throughout the world. Established in 1986 and based in London, UHYI is a cohesive network of independent accounting and consulting firms servicing clients with a variety of international and domestic needs.

Collectively, UHYI and its member firms offer:

- English-speaking professionals and personnel in every office
- Achievable economies and efficiencies by having people on the ground where our clients operate
- Innovative consulting services to help companies navigate the global business environment
- Expertise of member country’s regulatory accounting standards and tax regulations
- Effective cross-border tax planning and compliance
- Consistency with financial reporting

UHY'S AUTOMOTIVE SUPPLIERS PRACTICE

In today's ever-changing automotive landscape, the need for an accountant to be more than just a "number cruncher" is crucial for automotive suppliers to achieve their goals.

What separates our firm from its competitors? We combine financial expertise with a hands-on, "shop floor" approach to solving complex business decisions in the areas most relevant to the auto industry.

Automotive suppliers are very dynamic and always need to be ready to respond to rapid change. Our team is focused on financial, operational and supply chain issues facing the industry. With more than 300 automotive clients, our experience in the automotive space is deep.

SELECT INDUSTRY SEGMENTS WE SERVE

- Plastic and metal parts
- Components and systems
- Controls
- Tool and die
- Machine and equipment builders
- Prototype
- Engineering

CHALLENGES FACING THE INDUSTRY

- Liquidity
- Supply chain risk mitigation
- Globalization
- Unstable commodity prices
- Rising employee benefits
- Shifts in customer preferences
- Materials and technology changes
- Stricter government regulations
- Industry consolidation
- Capacity constraints

STRATEGIES FOR SUCCESS

- Strengthen balance sheet by focusing on ways to increase liquidity and reduce debt
- Assess technology-related risks and opportunities
- Place emphasis on diversification and flexibility
- Focus on expanding value chains
- Contemplate overseas acquisitions
- Seek corporate partnerships

- Implement daily and weekly cash flow reporting
- Improve production efficiencies with daily, weekly and monthly operating metrics
- Focus on individual product and customer profitability by preparing product line profit and costs analysis
- With continued consolidation risk, maximize leverage on fixed costs

SERVICE OFFERINGS

OPERATIONAL IMPROVEMENT

Is your company facing some of these challenges?

- Expedited freight
- Excessive overtime
- Breakdown in planning and scheduling
- Space constraints/constrained throughput

Our solution: A seasoned operational improvement team offers solutions that will get you results.

- Daily shop floor accountability scoreboard with OPMS™ (Optimal Performance Management System)
- Planning and scheduling process improvement
- Shop floor layout optimization
- APQP process consulting

STATE & LOCAL TAX INCENTIVES

Is your company planning some of these initiatives?

- Plant expansion
- Significant capital expenditures
- Headcount increases
- Analysis of real and personal property assessments

Our solution: Dedicated SALT professionals that have a deep understanding of the auto sector and will assist in maximizing ROI and preserve capital.

- Real and personal property tax abatements
- Job creation tax credits
- Training grants
- Sales/use tax analysis
- Property tax appeals

MERGER & ACQUISITIONS

Is your company looking to accelerate growth through an acquisition or planning an exit?

Our solution: An experienced transaction services team that has significant automotive knowledge and will guide you through an acquisition or sale process to maximize shareholder value.

- Sell side and buy side advisory
- Financial and operational due diligence
- Business valuation
- Quality of earnings assessments

- Introduction to sources of capital
- Post-merger integration
- Financial modeling

TAX PLANNING & COMPLIANCE

Is your company looking to preserve capital and improve cash flow?

Our solution: Seasoned tax professionals that not only prepare your federal and state tax returns, but also provide more tax savings ideas due to deep sector knowledge.

- Research and development credits
- DPAD (domestic production activities deduction)
- Propane credits
- Capital expenditure planning
- Cost segregation
- IC-DISC
- Prepaid election
- International tax planning

AUDIT & ASSURANCE

Today, creditability with lenders and third parties has become even more important to be recognized as a premier automotive supplier.

Our solution: Dedicated attest professionals that increase your company's credibility by being industry knowledge leaders.

- Significant knowledge of lender requirements
- Strong understanding of OEM tooling requirements and financial reporting
- Proper financial statement presentation for tooling and percentage of completion
- Inventory valuation, presentation and costing

Key service offerings:

- Audits, reviews and compilations of financial statements
- Financial forecasts and budget planning
- Product line profitability costing analysis

Other advisory services:

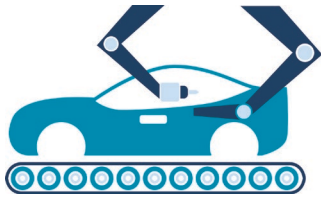
- OEM contract negotiations
- Emerging market and foreign joint ventures
- Strategic supplier partnerships
- Financial health scorecard

ABOUT LMC AUTOMOTIVE

Known and respected worldwide for the quality of its global forecasting services and its highly responsive customer support, LMC Automotive is the premier supplier of automotive forecasts to an extensive client base of over four hundred car and truck makers, component manufacturers and suppliers, and financial and government institutions around the world.

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