Annual Automotive Supplier Outlook

Rethink. Reinvent. Rise: Strategies for the Auto Industry's Next Chapter

January 14, 2026

PMA PRECISION METALFORMING ASSOCIATION EAST MICHIGAN DISTRICT

ONTRAC

AGENDA

8:00 AM - Registration, Breakfast, and Networking

8:30 AM - An Industry Under Siege or on the Cusp of Greatness?
Thomas Alongi, National Automotive Practice Partner; Dan Bruce, Principal, UHY

9:00 AM - Auto Industry Insights
Mike Wall, Executive Director of Automotive Analysis, S&P Global Mobility

9:45 AM - Adjusting to the New Realities of Being an Automotive Supplier
Charlie Clevenger, Principal; Jason Brewer, Director, UHY

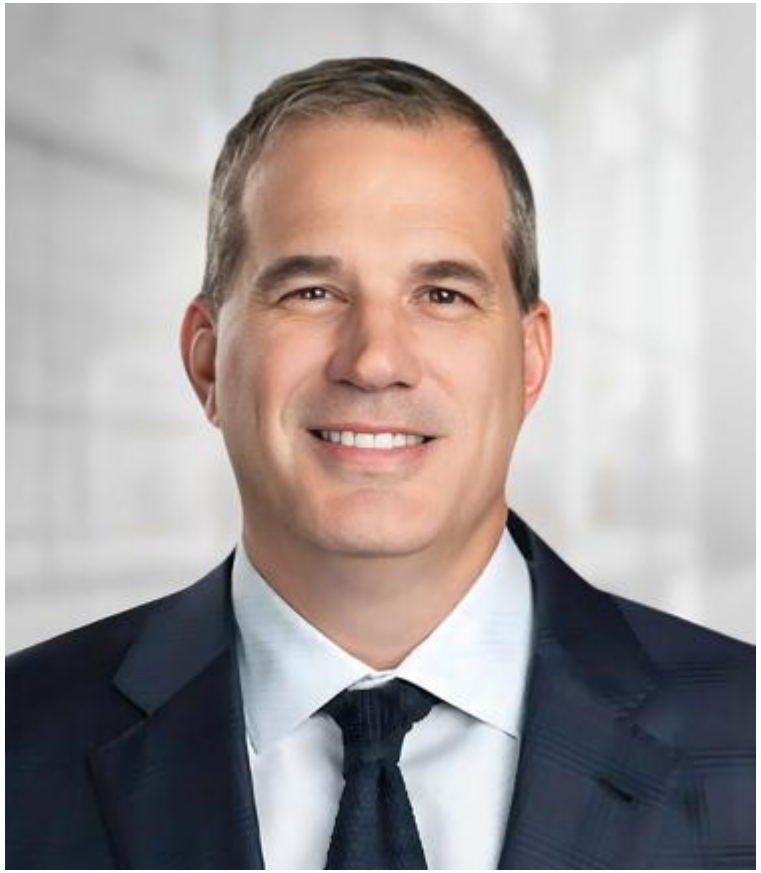
10:15 AM - Refreshment Break

10:30 AM - Navigating Change with AI as the New Competitive Lever
Panel discussion featuring Ajay Chawla, Chief Executive Officer of OnTrac AI, and Ted Mabley, Director at UHY, moderated by John McElroy, President, Blue Sky Productions

11:00 AM - Leadership and Agility in Today's Dynamic Industry
Jan Griffiths, Champion of Culture Change and Host of the Automotive Leaders Podcast

11:30 AM - Event Concludes

An Industry Under Siege or on the Cusp of Greatness?



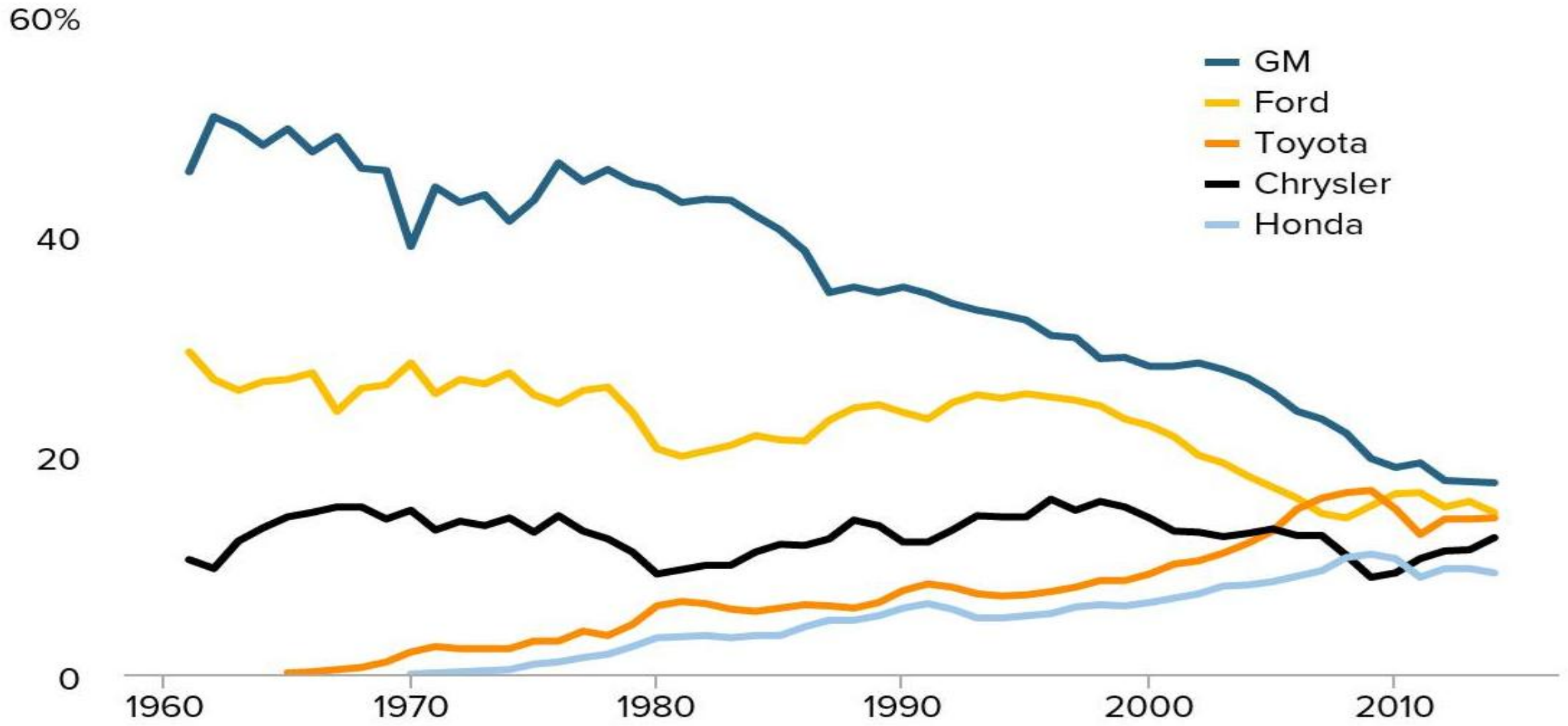
Thomas Alongi,
National Automotive Practice Partner

Dan Bruce, Principal, UHY
Consulting Leader

An Industry Under Siege Or Cusp Of Greatness?

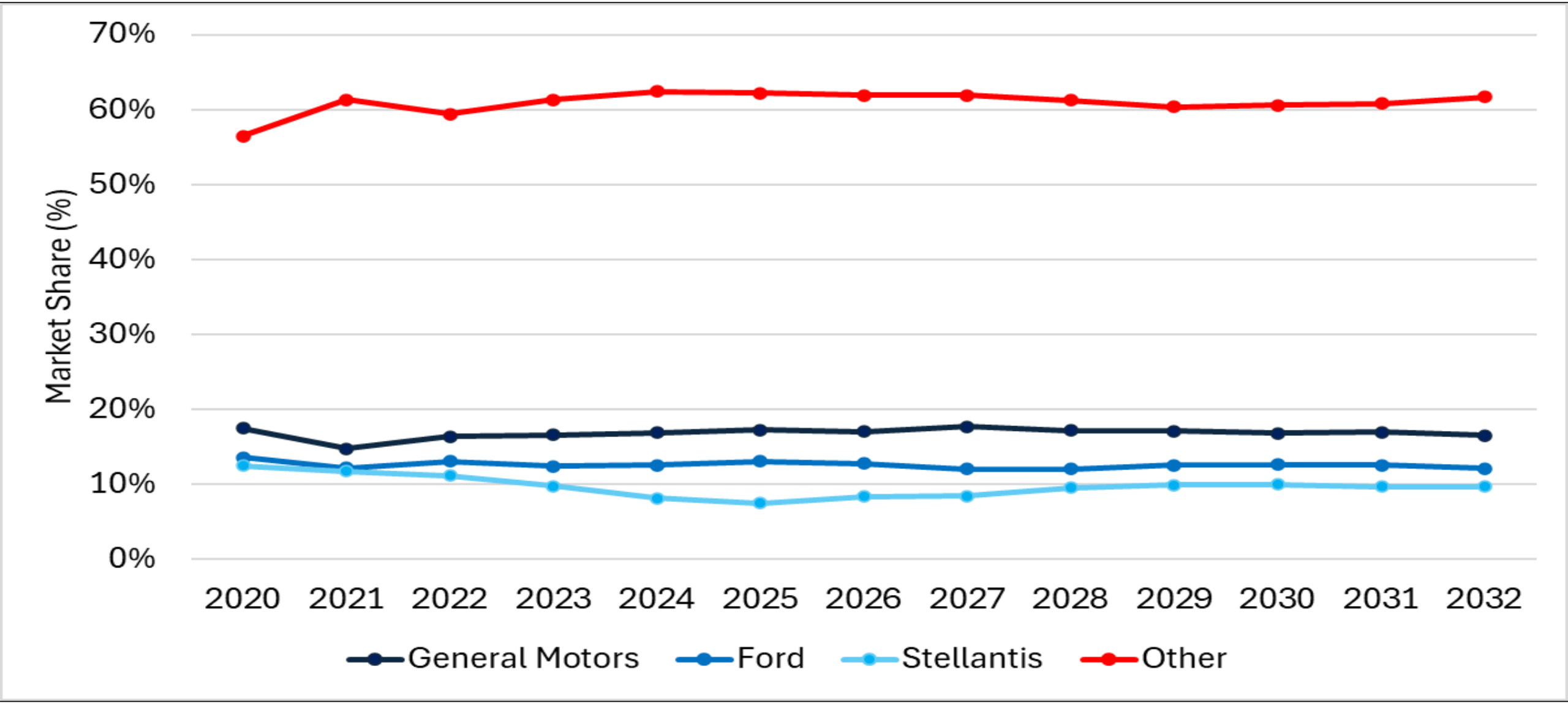
Rethink, Reinvest, Rise!

U.S. Automotive Industry Market Share 1961 - 2014



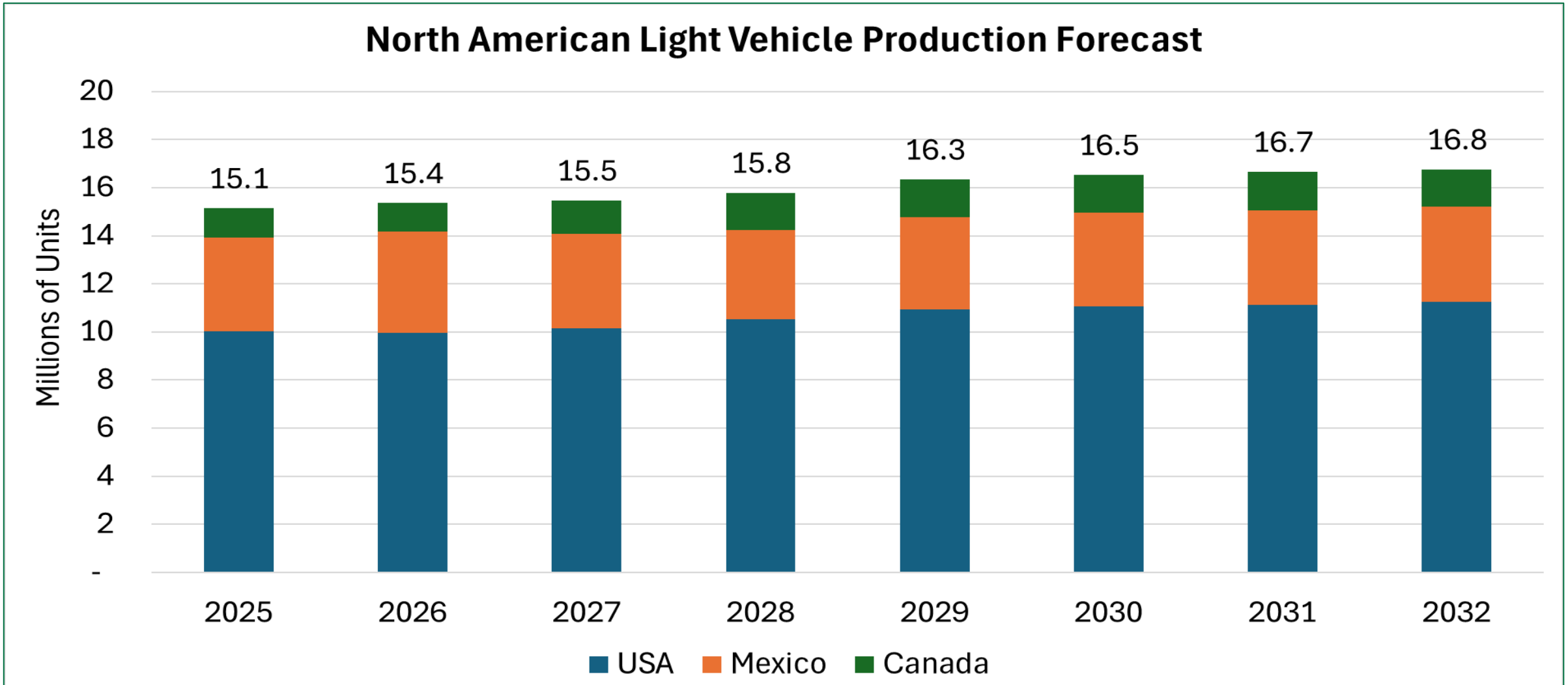
Source: WardsAuto (various years)

U.S. Automotive Industry Market Share 2020 - 2032



Source: Global Data

Where Is the Growth?



YoY Growth (%)	2025	2026	2027	2028	2029	2030	2031	2032
North America	-2.1%	1.4%	0.7%	2.1%	3.5%	1.2%	0.8%	0.6%

Source: Global Data

F.E.A.R.

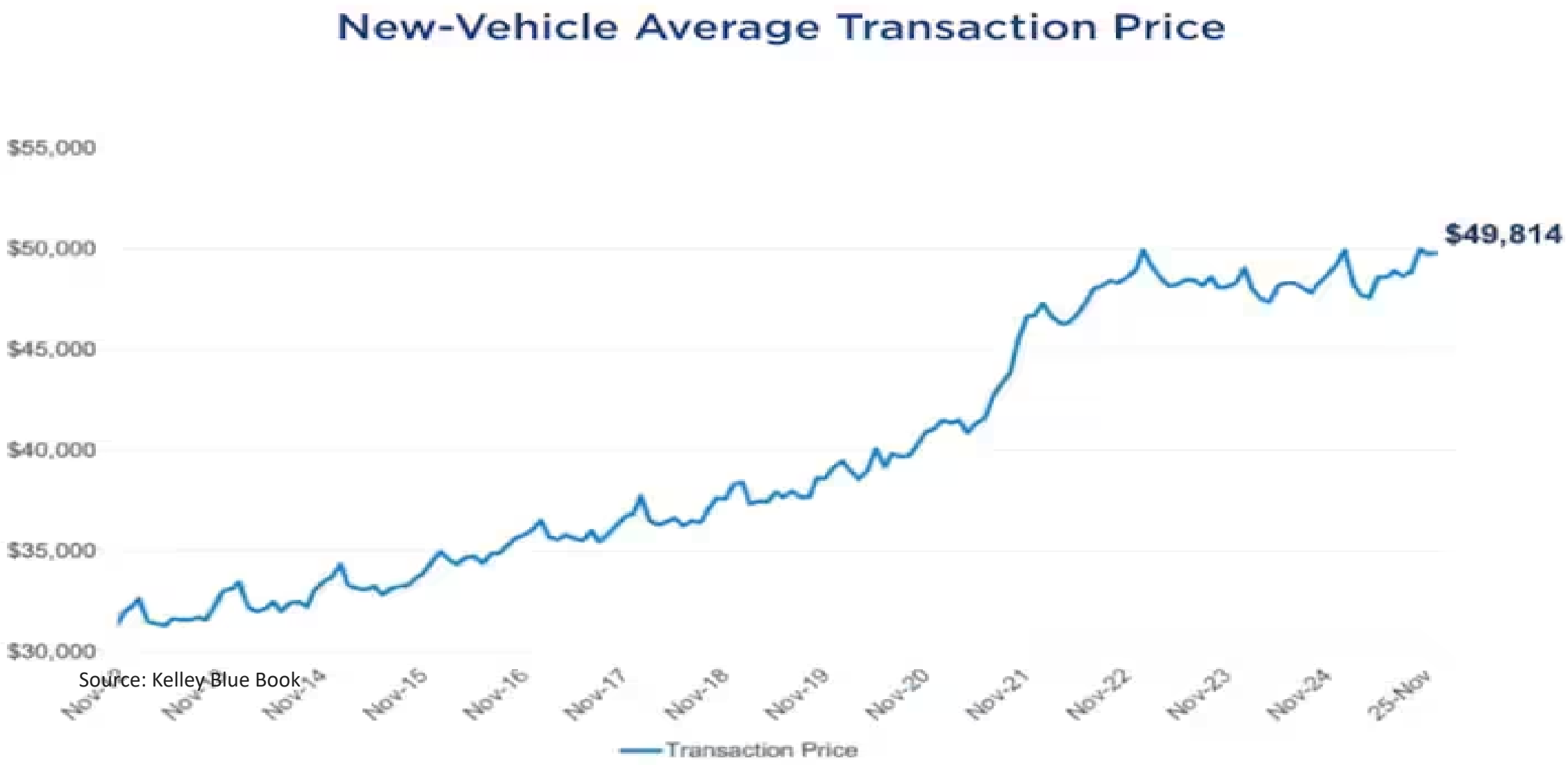
has two meanings –

Forget Everything And Run
OR
Face Everything and RISE

The Choice Is Yours


HOW DID WE
GET HERE?

U.S. New Vehicle Average Transaction Price Over Time



Source: Kelley Blue Book

Fuel Economy Standards

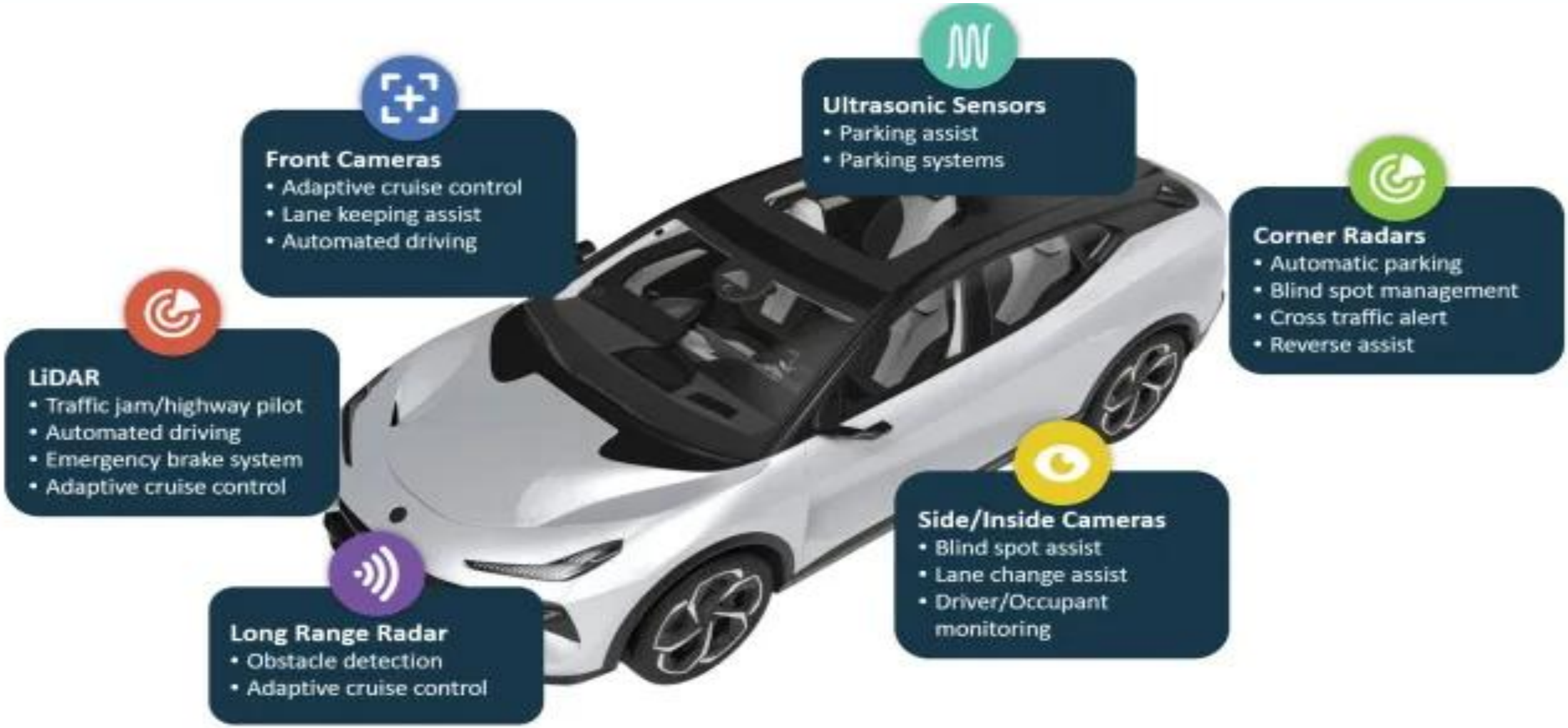
Battery Electric Powertrains

Engine Technologies

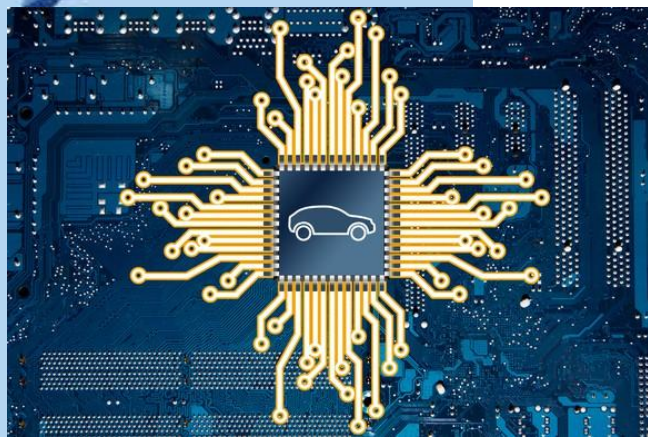
Lightweighting

Technology & Safety Components

Advanced Driver Assistance Systems (ADAS)



Supply Chain Disruption



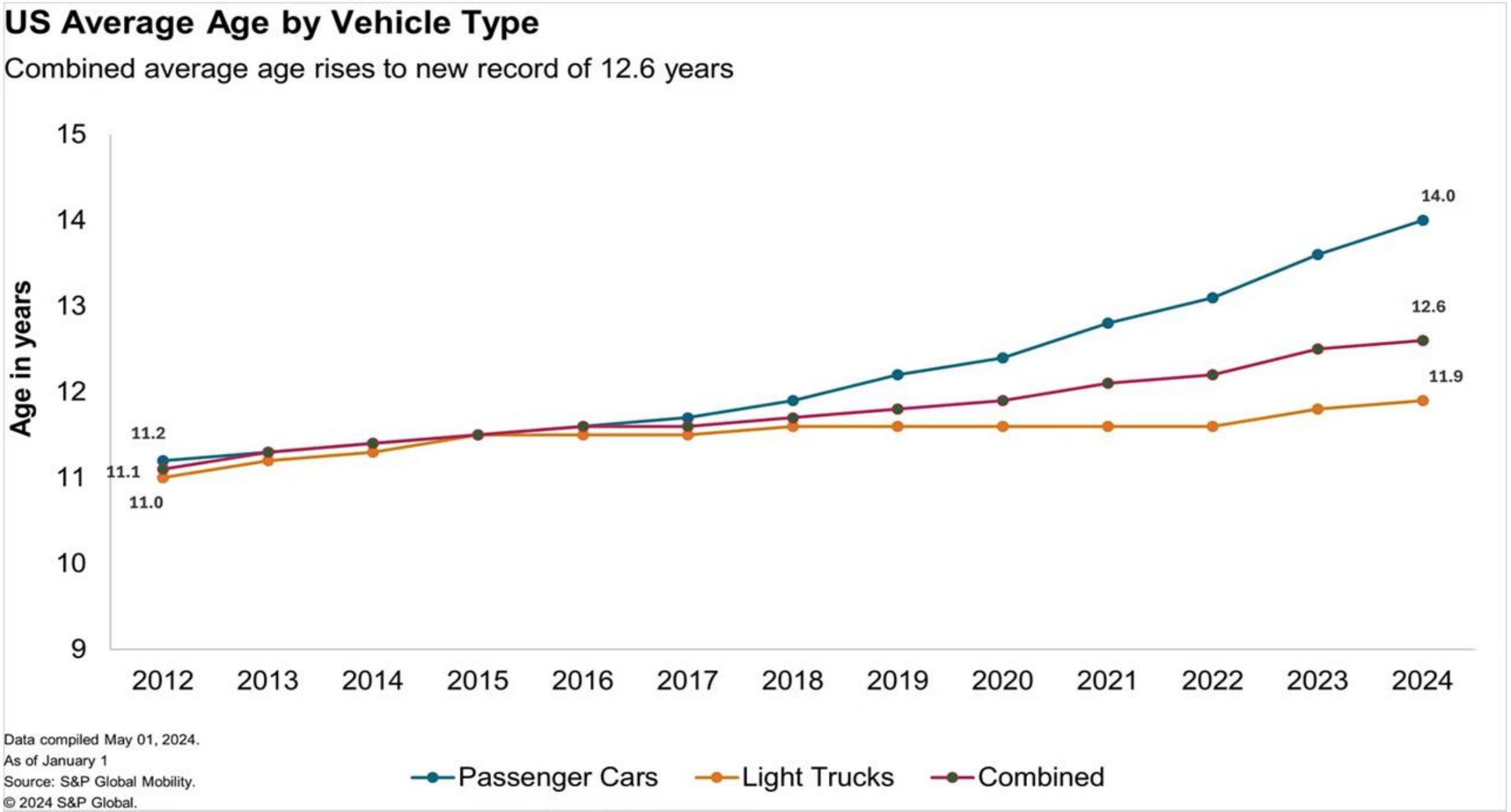
Tariffs

68% of components for 2024-2025 Ford F-150s face cost increases from new tariffs

FutureSearch

What Is The Impact?

What Is The Impact? - Consumers



What Is The Impact? - Policy

The White House Proposes More Relaxed Fuel-Economy Regulations

The Trump administration plans to undo Biden-era fuel-economy standards, which it blames for rising new-car prices in recent years.

By Jack Fitzgerald Published: Dec 3, 2025

SAVE ARTICLE

ROBERTO SCHMIDT | CAR AND DRIVER

THE WALL STREET JOURNAL.

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EXCLUSIVE AUTOS

Senate Committee to Challenge Auto-Safety Mandates That Hurt 'Affordability'

Republicans question value of automatic braking, rear-seat reminders

What Is The Impact? - Automotive OEMs & Large Tier 1s

Race to the Bottom

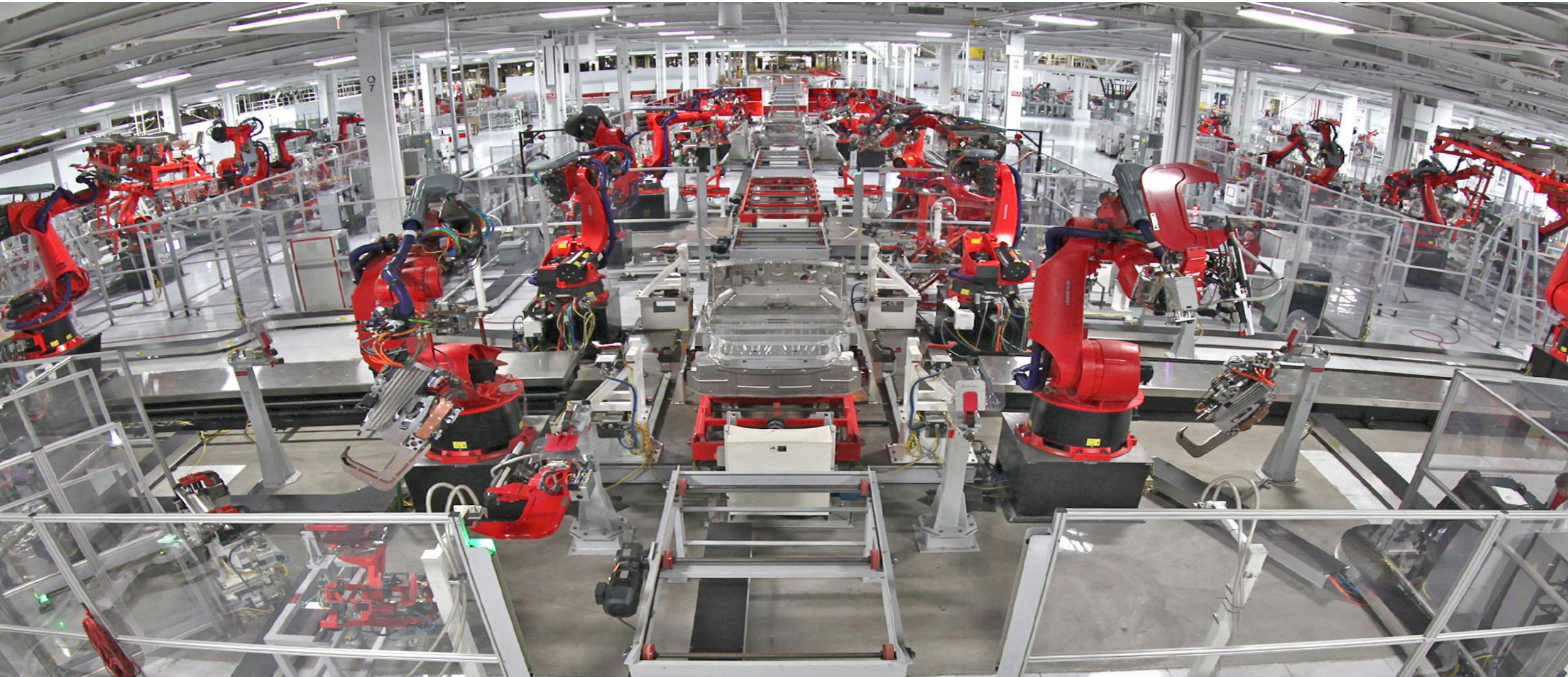
RETHINK. REINVENT. RISE!

RETHINK. REINVENT. RISE!

Material/Service Cost Reduction Through Procurement Improvement

RETHINK. REINVENT. RISE!

Operational Improvements, Automation, & AI

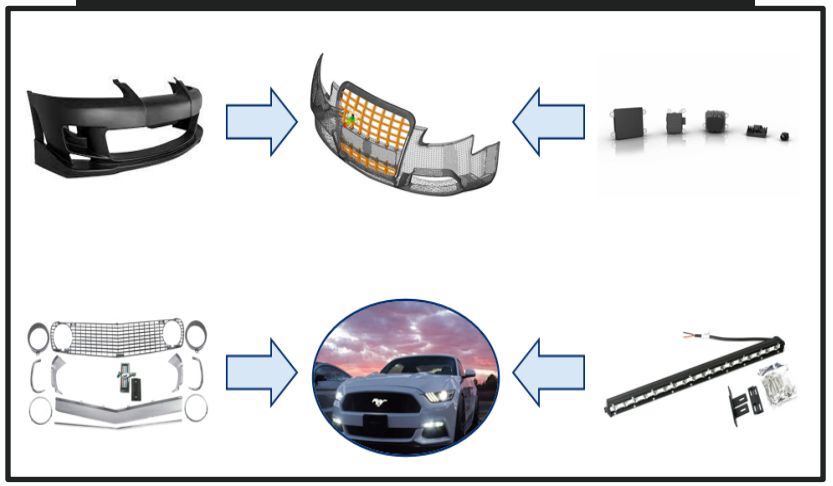


RETHINK. REINVENT. RISE!

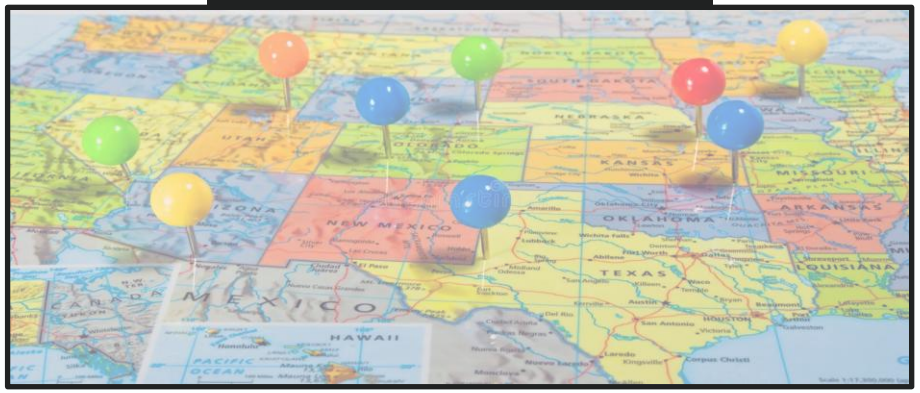
Diversification – Inside & Outside of Automotive

Customer Diversification

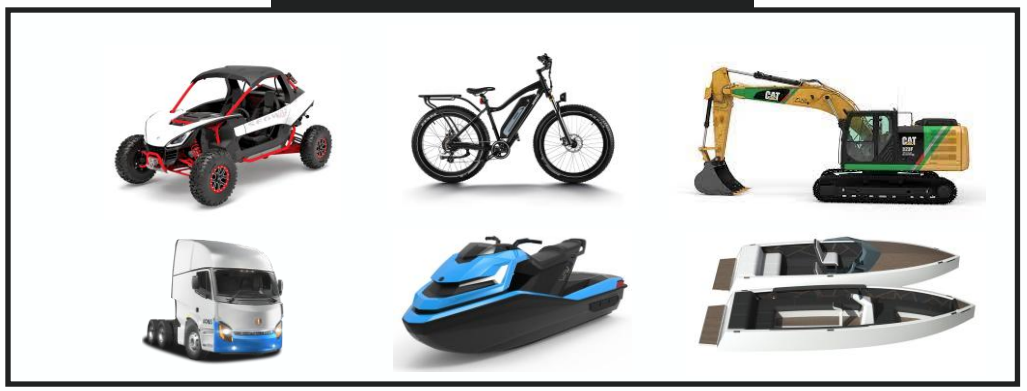
Product Expansion / Integration



Regional Expansion



Market Expansion



RETHINK. REINVENT. RISE!

Change How You Lead & Improve Culture

RETHINK. REINVENT. RISE!

Establish goals, measure performance, and implement cultural change

Improve your cost structure through automation and AI

Develop strategies for procurement and sales & operations planning

Implement diversification and/or M&A strategies

- *Increase profitability*
- *Improve working capital*
- *Improve customer relationships*
- *Win more business*
- *Reduce concentration risk*

Precision Metalforming Association (PMA)

David Klotz,

President,

Precision Metalforming Association

S&P Global
Mobility

Automotive Industry Outlook

The Great Pivot: Rethinking the Roadmap for Global Autos

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January 2026

S&P Global Mobility covers the entire vehicle lifecycle

For customers across the automotive landscape–from manufacturers and suppliers to dealerships and service shops–we share a complete perspective of the mobility industry.

Forecasting & Planning

Understand the historical market trends to enable you to forecast the future and evaluate your investment opportunities

Vehicle Demand
Vehicle Production
Technology
Sustainable mobility

Sales Performance & Marketing

Analyse actual market developments as they happen and market to the right audience so you can remain competitive

Marketing Activation
Sales Optimization
Industry Performance

Vehicle in Use

Deliver critical information to support aftermarket services and vehicle recalls where necessary

Parts Demand & Fitment
Owner Notification
Vehicle Identification

World Economic Growth

Resilient so far, though moderations generally forecasted in 2026

- Various factors are expected to continue to support growth over the coming year. These include:
  - Lower oil prices, contributing to lower consumer price inflation, in turn lifting household real incomes
  - Looser financial conditions, since many central banks extend their rate-cutting cycles as inflation concerns recede
  - Solid labor market conditions, with unemployment rates in most major economies still low by historical standards
  - Looser fiscal policy in some major economies, including the US, mainland China and Germany
- We forecast somewhat lower annual real GDP growth rates in 2026 versus 2025 in many major economies, partly due to unfavorable base effects related to tariff front-running in 2025.
- Exceptions include the US, where the front-running related base effects work the other way given soaring imports in early 2025.
- Key revisions in our December forecast update include higher 2025 real GDP growth estimates for India and Canada, reflecting third-quarter data and historical revisions.
- The 2026 growth forecasts were revised up for Japan but down for the UK and Russia, reflecting fiscal developments.

Real GDP (% change)

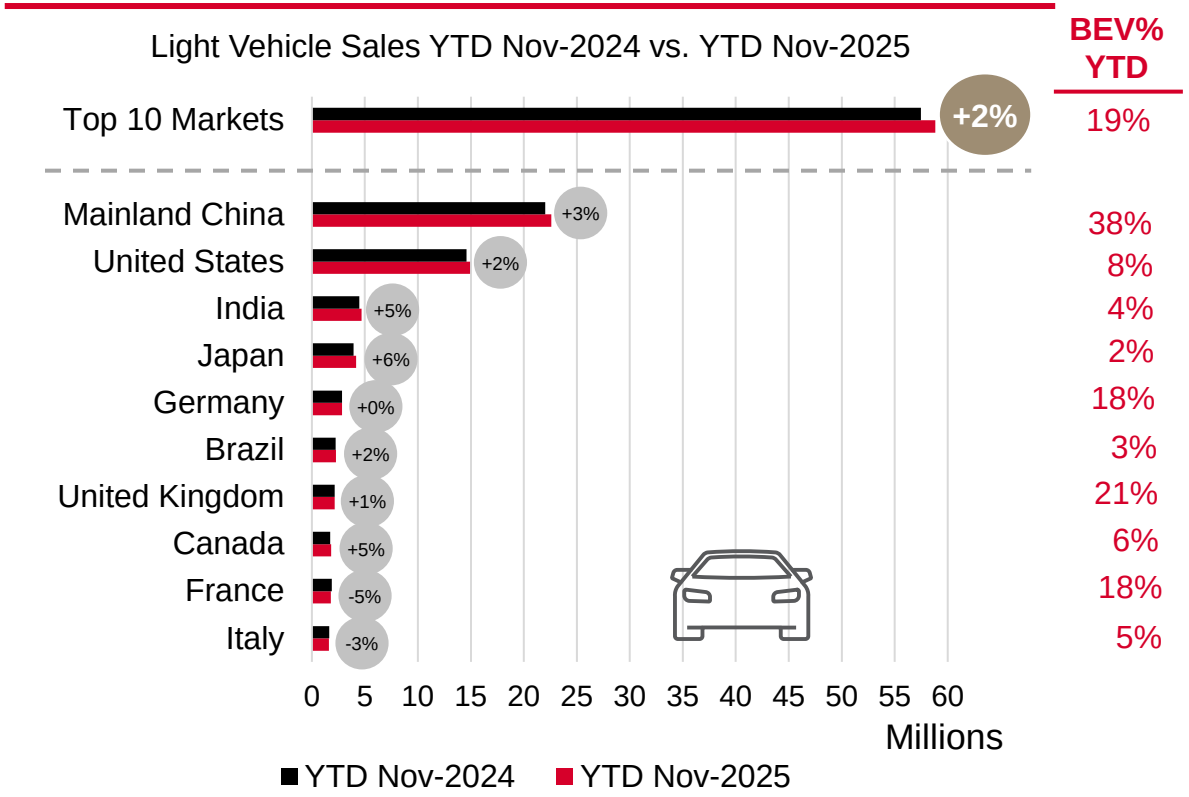
Region	2024	2025	2026	2027
World	2.8	2.8	2.7	2.7
United States	2.8	2.0	2.2	1.8
Canada	2.0	1.7	1.4	1.9
Brazil	3.0	2.5	1.8	2.7
Eurozone	0.8	1.5	1.1	1.5
United Kingdom	1.1	1.4	0.8	1.5
Russia	4.3	0.7	1.0	1.7
Mainland China	5.0	5.0	4.6	4.5
Japan	-0.2	1.2	0.9	0.8
India*	6.5	7.0	6.4	6.6

Data compiled December 15, 2025.
* Fiscal year starting April 1, 2023.
Source: S&P Global Market Intelligence.

Total Industry Sales Volume | Sales Remain Resilient…Tariff Impact in Focus

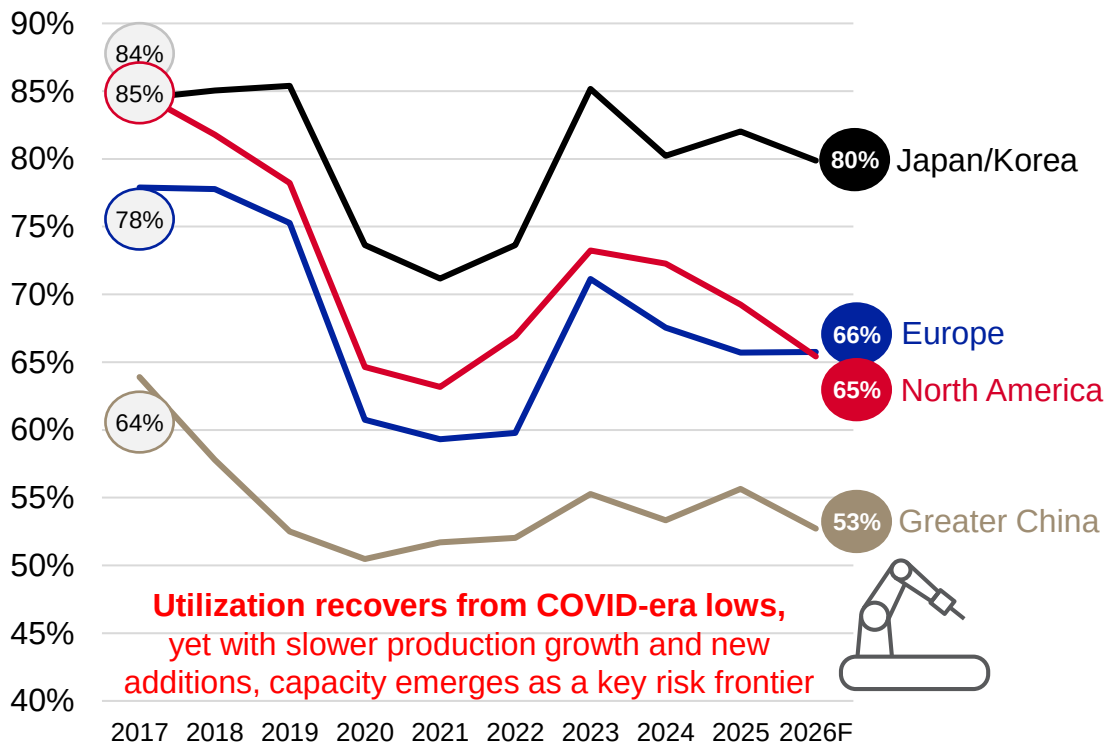
Robust sales in H1-2025 supported by China, US and Japan, among others; Top 10 market sales +2% through Nov-2025; vehicle production & utilization shifts to demand driven realities; Tariffs reshape expectations

Light Vehicle Sales: Key Markets*



Data compiled December 15, 2025
* Note: YTD Nov-2024 vs. YTD Nov-2025 (Includes forecasted data)
Source: S&P Global Mobility – Global Auto Tracker

Light Vehicle Production: Capacity Utilization



Source: S&P Global Mobility – Vehicle Plant Capacity December 2025

US Tariffs: Moving Targets and Growing Certainty

Multiple trade agreements in progress. Status/projections for key automotive trading partners

Date	Canada/Mexico		EU, South Korea, Japan	UK	Most others (ex China)		Metals		MHCV and Parts
	LV	Parts	LV and Parts	LV and Parts	LV	Parts	Steel & Alum	Copper	
March 12									
April 3									
May 3									
H2 2025	25% net of US value	Non-USMCA 25%, less OEM offset	25%	25%	25%		From March 12, 25%. Raised to 50% June	50% Aug 1	25% 10% buses
2026	12% with adjustment for US value add	Expected increase Labor Value Content / US value add	15%: Japan Sept. 2025 EU retro to Aug 2025 SK November 2025	10% on LV to 100K units, then 25%. Parts 25%. Effective June 30th	New baseline: 15%, including MFN				12% with adjustment for US value add
After 2026		USMCA Compliant – no tariff							

Implementation still variable

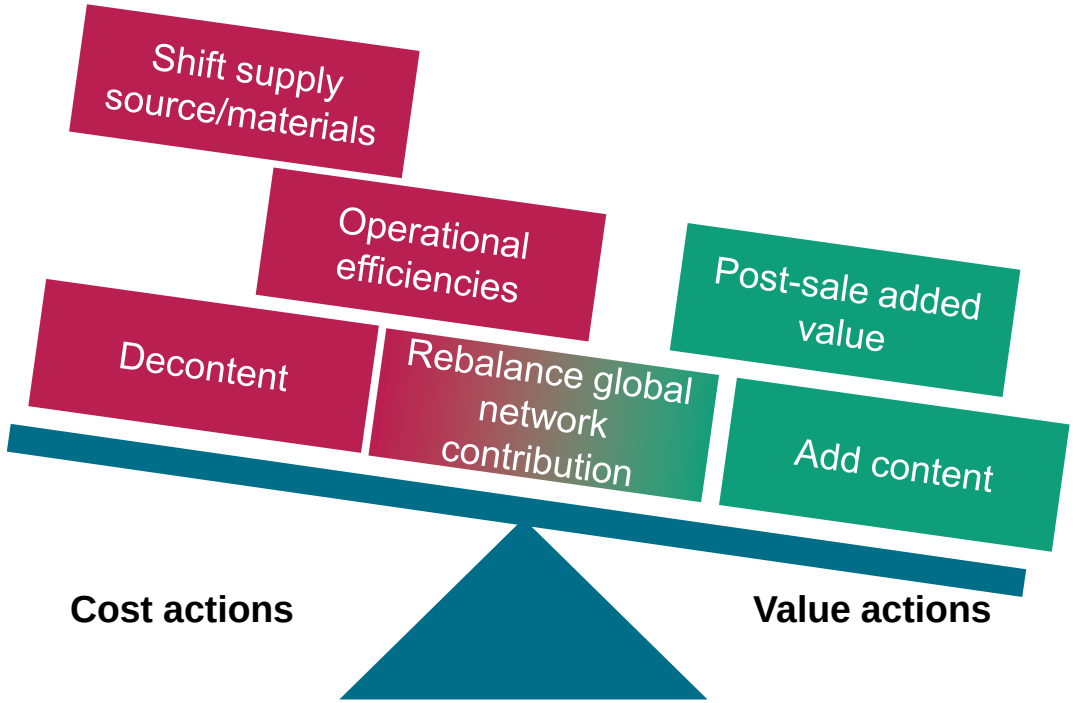
Latest updates

1. South Korea agreement signed Nov 14. Sect. 232 autos/parts retroactive to Nov. 1
2. Section 232 MHCV Nov. 1
3. Extend offset for US production; apply to MHCV
4. Metals tariff may be reduced for Canada, Mexico steel/alum for vehicle production
5. US-China set aside retaliatory actions to Nov. 10, 2026
6. Frameworks: Japan and EU implemented
7. Section 232 Copper tariff Aug. 1
8. Possible 100% tariff on semiconductors for non-US investment companies
9. Other 232 tariffs on softwood lumber, furniture, robotics etc.

US Tariffs: Why has US Pricing Largely Held Steady Despite Tariff Stress

OEMs pulling several levers to maintain market price equilibrium

The OEM balancing act to maintain market pricing



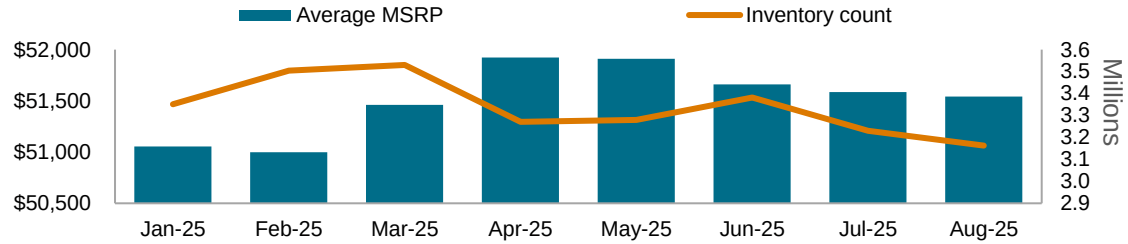
Immediate pricing levers

- Mid-to-large OEMs spread cost across markets, corporate cost centers
- Realign model mix: Masks price change, protects margin
  - Decontent to lower trim level MSRP – move standard features to optional
  - Drop less popular, lower-margin base trim level
  - Reduce available combinations and restructure options/mix
  - Note: Routine model year change activity; more scrutiny today
- Fees: Destination and delivery adjustments

Initial cost containment

- Reduce costs in other areas of the business, eg logistics
- Where “easy” resource raw material/basic content
- Component material changes – eg sacrifice fuel economy for lower-cost but heavier component (eg steel knuckle instead of aluminum)

US average MSRP and inventory (millions)



As of Aug. 22, 2025.
August is the average of two data points.
Source: S&P Global Mobility

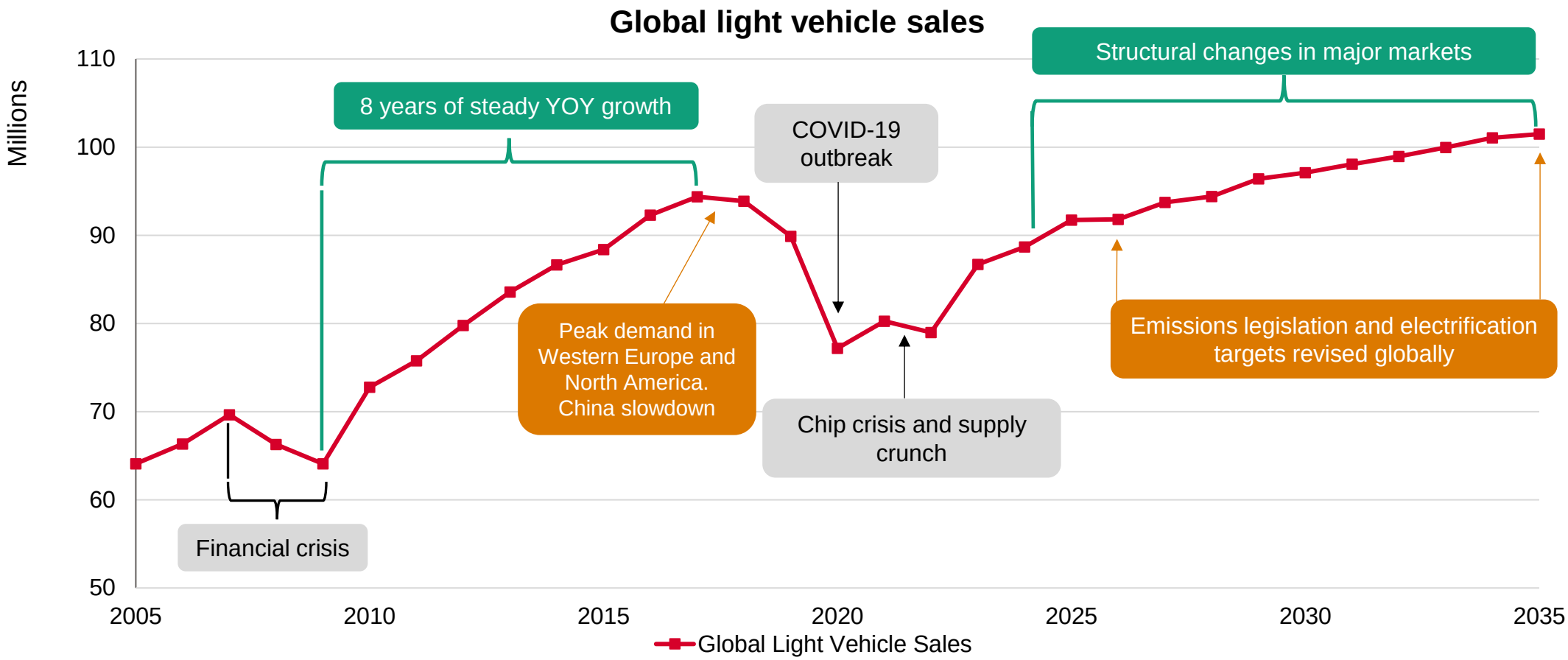
Watchlist: Looming Automotive DRAM Chip Shortage

Price increase from January, potential shortage in 2026; need to redesign ADAS and cockpit by end 2027

- Origin of shortage: competing demand from data centres while global capacity is stretched
  - Soaring demand for DRAM in data centers for AI is diverting capacity away from automotive applications.
  - Top DRAM suppliers (SK Hynix, Samsung, Micron) accounting for 88% of the Automotive DRAM revenue are pivoting their wafer capacity to higher-margin HBM (High Bandwidth Memory) DRAM segment for data centers at expense of automotive, limiting automotive DRAM availability.
  - OEMs and Tier 1 suppliers are engaging in panic buying, complicating possible shortage quantification and production planning.
- Premium segments are exposed most
  - DRAM chips are used mostly in high-compute applications in cars, namely infotainment systems, autonomous/ADAS electronics and central computers in cars with advanced E/E Architectures supporting Software Defined Vehicles (SDV).
  - Cars with premium cockpits (multiple large displays and GenAI assistant) and L2+ and above autonomy level are most exposed.
  - DRAM also needed in economy segment e.g. to support Front View Camera to meet GSR safety regulation in EU28 since July 2024.
- No clear solution
  - Current panic buying/inventory building is only short-term solution. “Toilet paper” effect may trigger shortage.
  - In 2026 and 2027 customers accepting to pay a higher price will get the DRAM volume they need. Significant added cost though.
  - Beyond 2027, older generation DRAM (DDR4 and LPDDR4) will no longer be manufactured for automotive. Industry must rapidly migrate to newer generation (LPDDR5). Significant effort by OEMs, Tier 1 and processor vendors to manage this transition.

Global Light Vehicle Sales

The path ahead depends on emerging market growth, particularly within the APAC region

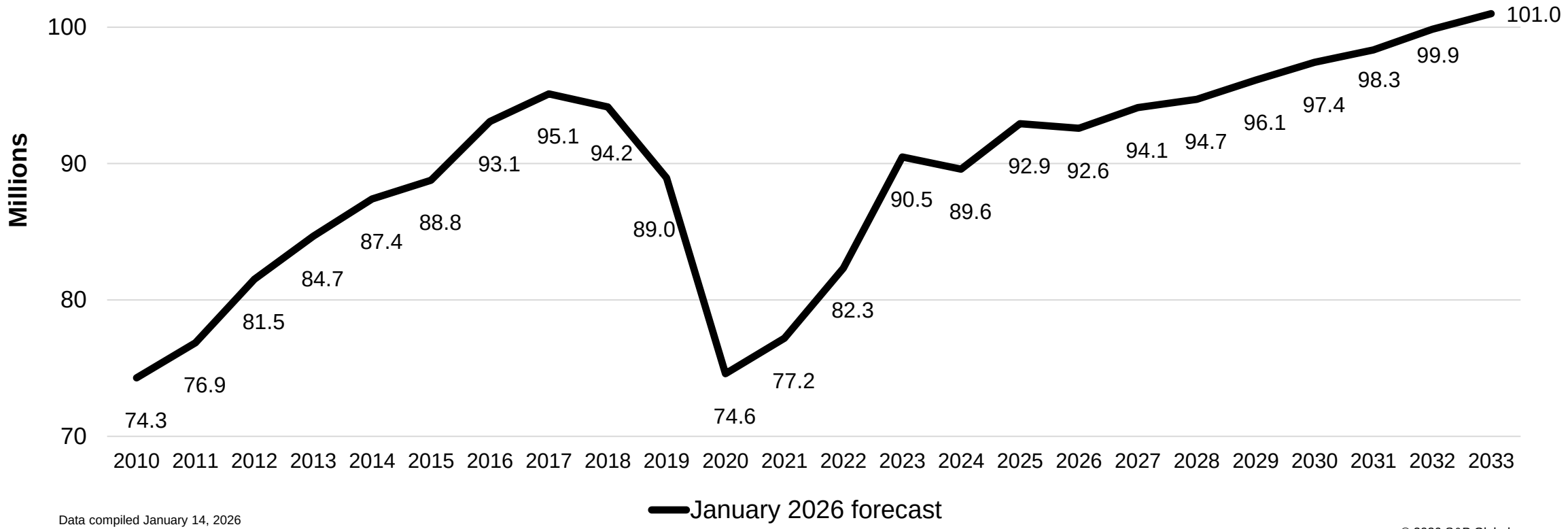


Data compiled January 14, 2026
CAGR = compound annual growth rate.
Source: S&P Global Mobility.

Global Light Vehicle Production Overview

Production resilient despite ongoing tariff and trade dynamics, yet near-term outlook is more transitional in nature

Global Light Vehicle Production Forecast

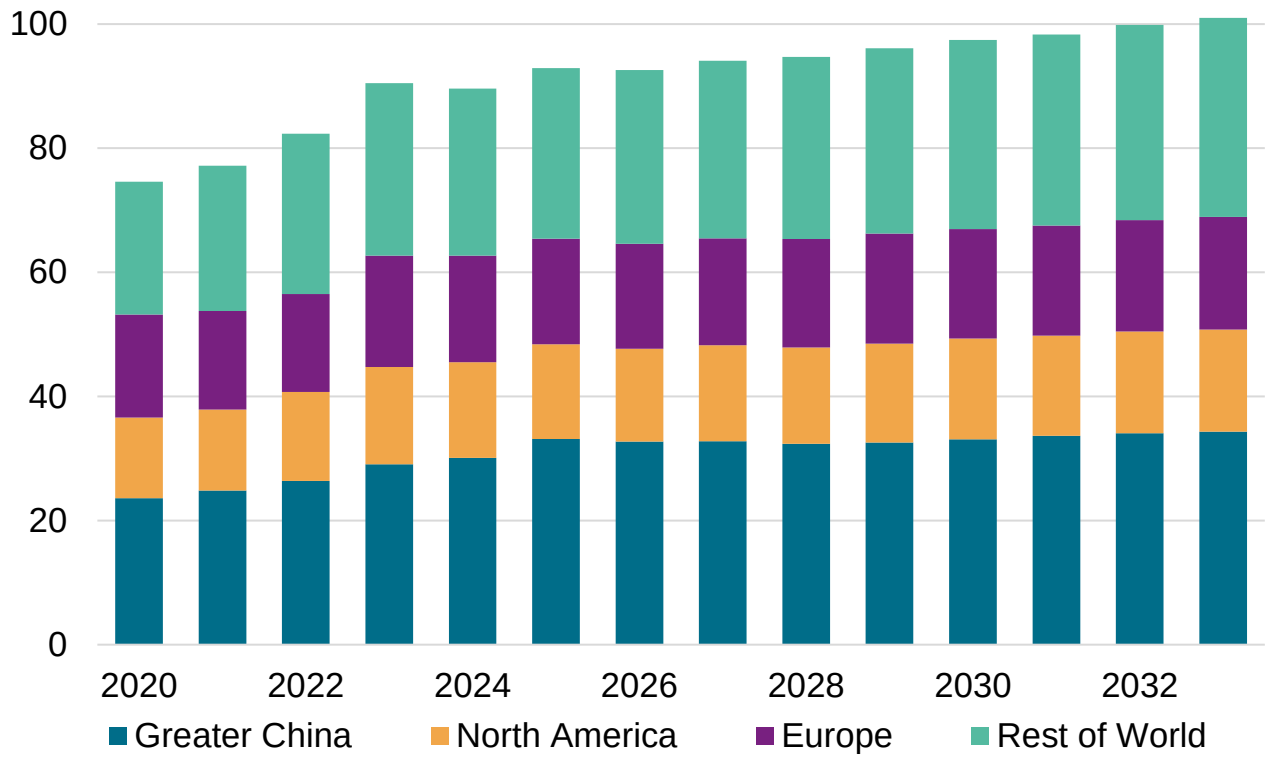


Data compiled January 14, 2026
Source: S&P Global Mobility

Global Light Vehicle Production Overview

Short-term outlook upgraded 2026 through 2028; Mainland China dominates the upgrades, but South Asia and Japan/Korea make notable contributions, 2026 still expected to see a modest overall reduction in global output

Global light vehicle production forecast (millions)



Data compiled January 14, 2026
Source: S&P Global Mobility

Positive

- ▲ USMCA compliant parts remain tariff free and more parts becoming compliant in response to tariff policy, boosting US activity. Non-complaint parts offset extended to 2030
- ▲ Money set aside for US fuel economy fines in CARB states, or for buying credits being repurposed to help offset inflationary effects. Where viable, OEMs raising prices outside of the US to subsidize US pricing levels
- ▲ Framework agreements with EU, Japan and South Korea on 15% import tariff for light vehicles with no quota reduces uncertainty; diminished tariff volatility generally, especially as US/China tensions ease for now
- ▲ Nexperia risk still present but receding

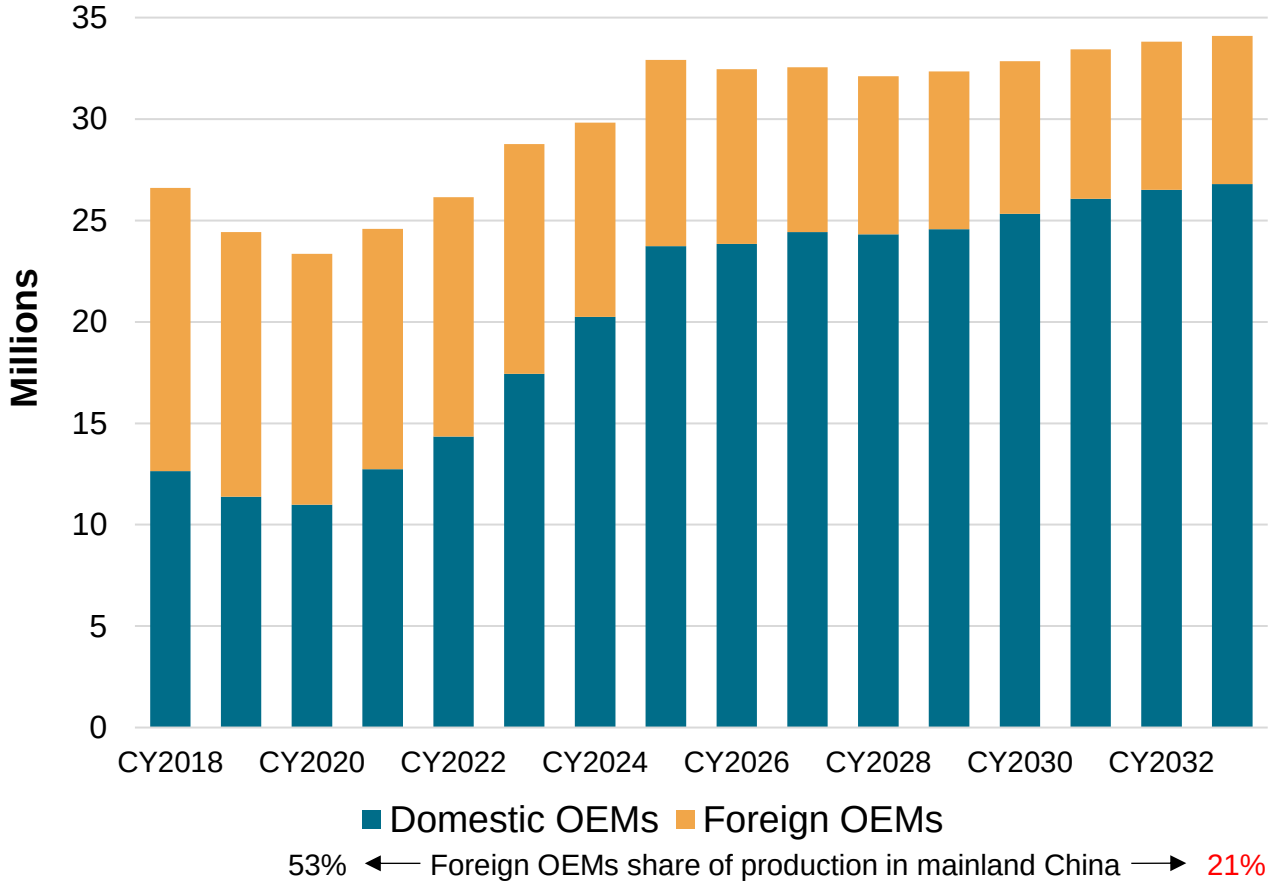
Negative

- ▼ All vehicle imports into the US now subject to tariffs greater than prior 2.5%
- ▼ Lack of progress regarding Canada/Mexico vehicle tariffs risks delaying any change until USMCA renegotiated, likely H2-2026
- ▼ New tiered reciprocal tariffs on all other goods have their own separate impact to be felt at macro level. US imports of copper tariffed from August 1 and semiconductors possibly forthcoming
- ▼ China export push and domestic price discounting fundamentally unsustainable; NEV tax incentive halved from January 2026, PHEVs excluded if range is less than 100km
- ▼ Brazil IPI industrial tax cut having limited positive impact on local production levels; Russia growth cycle slowing

Mainland China: Domestic Producers Dominate, Boosted by NEV Demand and Exports

Export opportunities support production & capacity utilization; demand in focus as subsidies evolve

Mainland China Light Vehicle Production Forecast



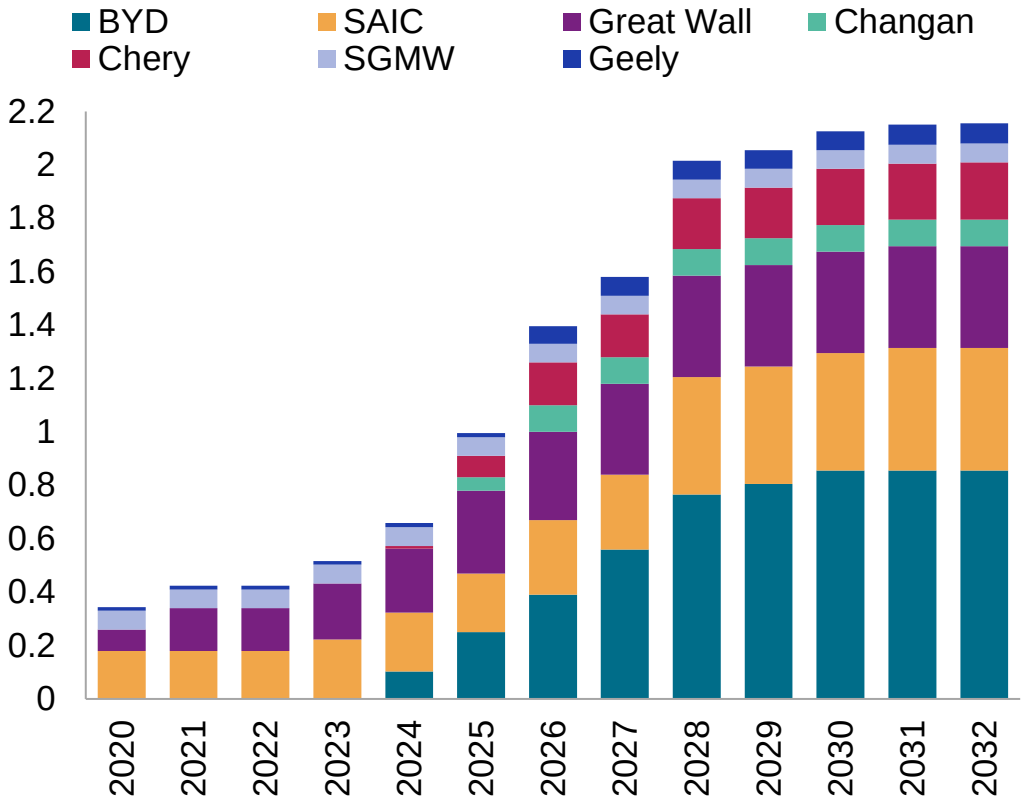
Data compiled January 14, 2026
Source: S&P Global Mobility

- Trump administration tariffs add uncertainty; recent de-escalation is encouraging
- Domestic demand supported by New Energy Vehicle (NEV) incentives and scrappage subsidies provides scale for key local automakers; potential demand hangover as subsidies are reduced
- Slower domestic demand growth and intense competition incentivizes export activity, but challenges emerge as tariffs develop
- Pressure for consolidation remains across a diverse domestic base; price war adds to burden – capacity utilization ~56% in 2025
- Localization could accelerate further to avoid tariffs from EU
- Western brands struggle to compete on price, content and speed of development cycles, and increasingly look to local OEMs for support

Chinese Automaker Production Capacity Beyond Mainland China

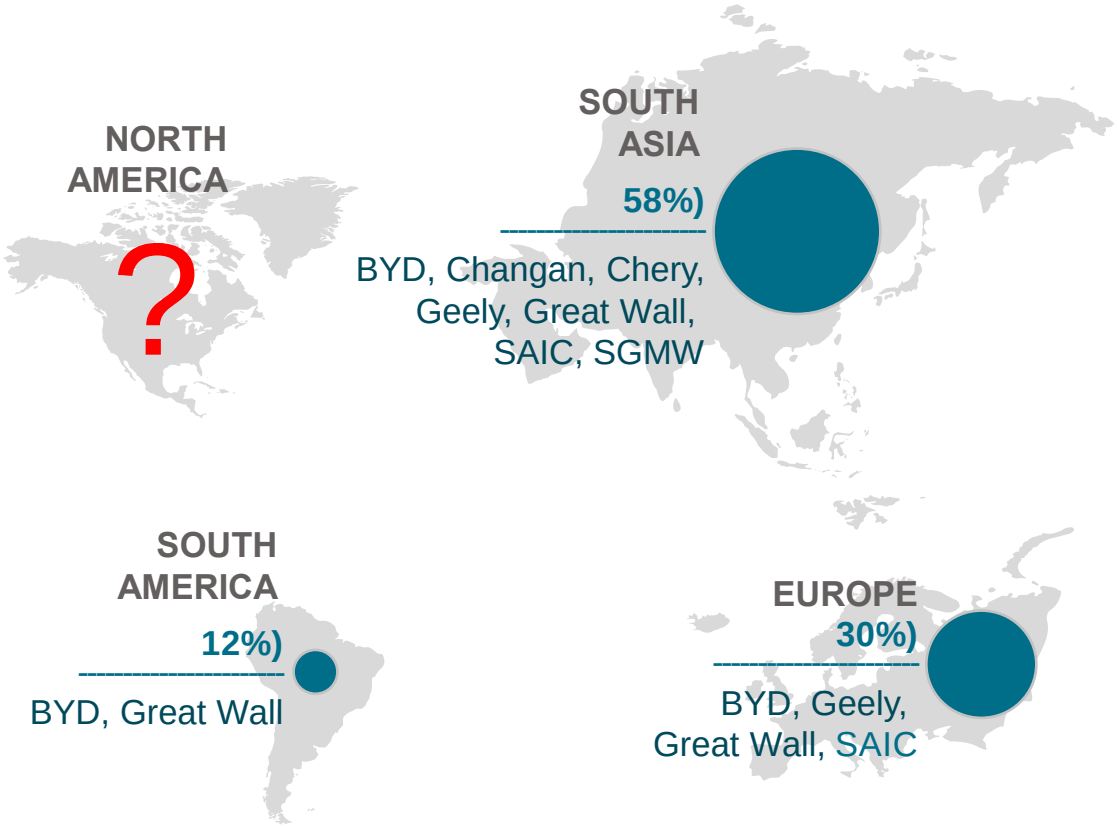
Mainland Chinese carmakers make bold entry into the South Asian market

Overseas car production capacity of Chinese companies (millions)



Data compiled January 7, 2026
SGMW = SAIC-GM-Wuling
Source: S&P Global Mobility

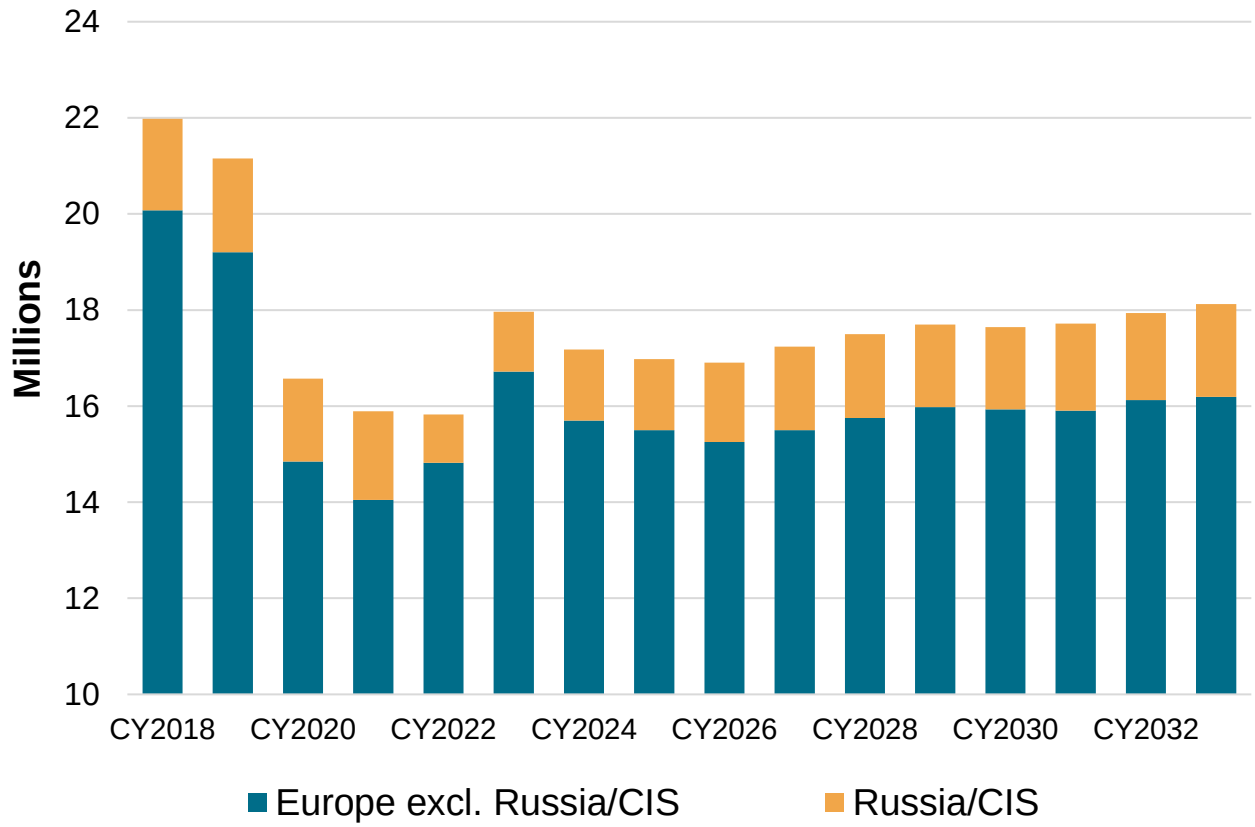
2032 overseas market capacity layout



Europe: Growth Stalling on Rising Cost Pressures; Re-branded Russia Rebounds

Production remains challenged by offshoring, imports and cost pressures; LT recovery cycle eases as BEV costs build; Trump tariffs impact exports to the US

Europe Light Vehicle Production Forecast



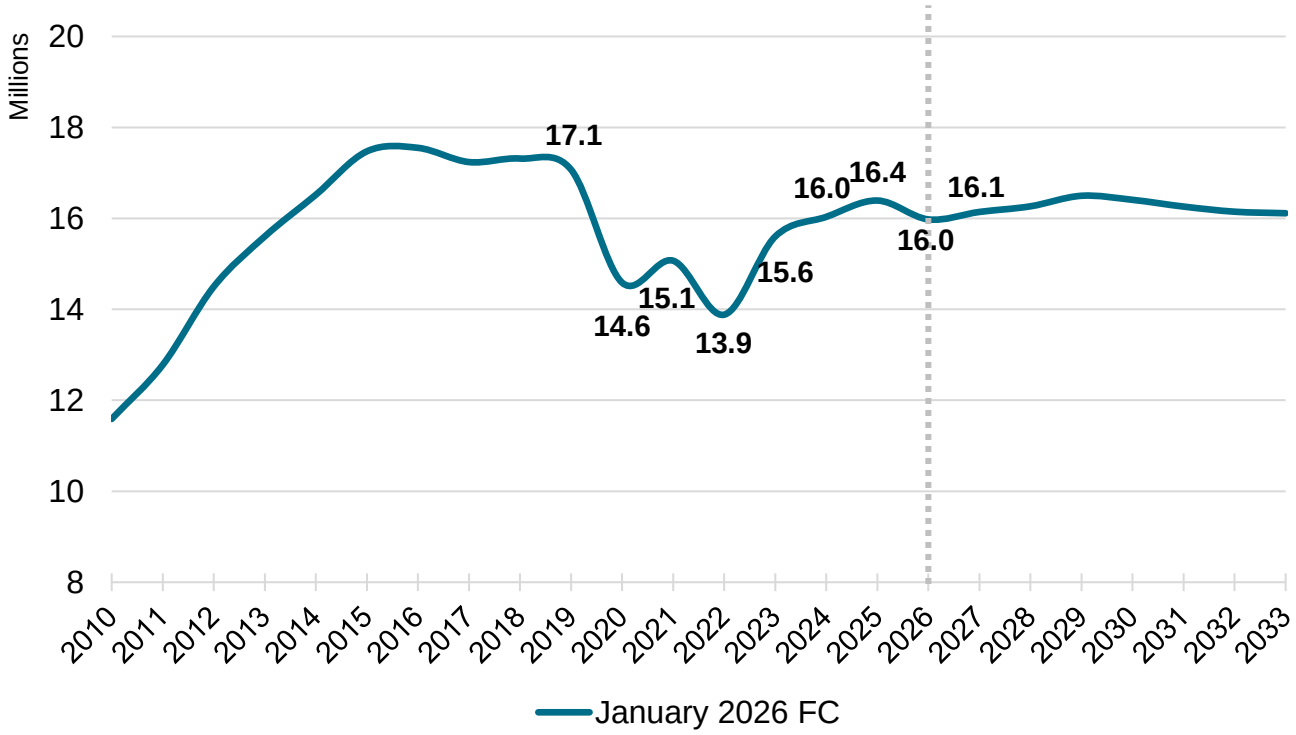
Data compiled January 14, 2026
Source: S&P Global Mobility

- Robust response to tariff uncertainties so far, expect stabilization short term, especially as 2026 progresses
- A de facto delay to the zero-emission vehicle (ZEV) mandate after 2035 is assumed; ICE variants are extended, complicating OEM platform strategies and disrupting program-level business cases as witnessed in North America
- Exports slowing to China and US as tariffs raised but US agreement offers some certainty at an elevated rate
- Assuming 15% tariff sticks, localization to US expected to be limited; Mercedes-Benz and Volvo adjust SUV sourcing
- China response to EU tariffs on full electric imports has been evolving: Switch mix? Accelerate localization?

US: Light Vehicle Sales Outlook

Pent-up demand provides some support yet is vulnerable to second order impacts from tariff threats and market conditions; Affordability shapes ongoing trajectory

US Light Vehicle Sales



Data compiled January 14, 2026
Source: S&P Global Mobility

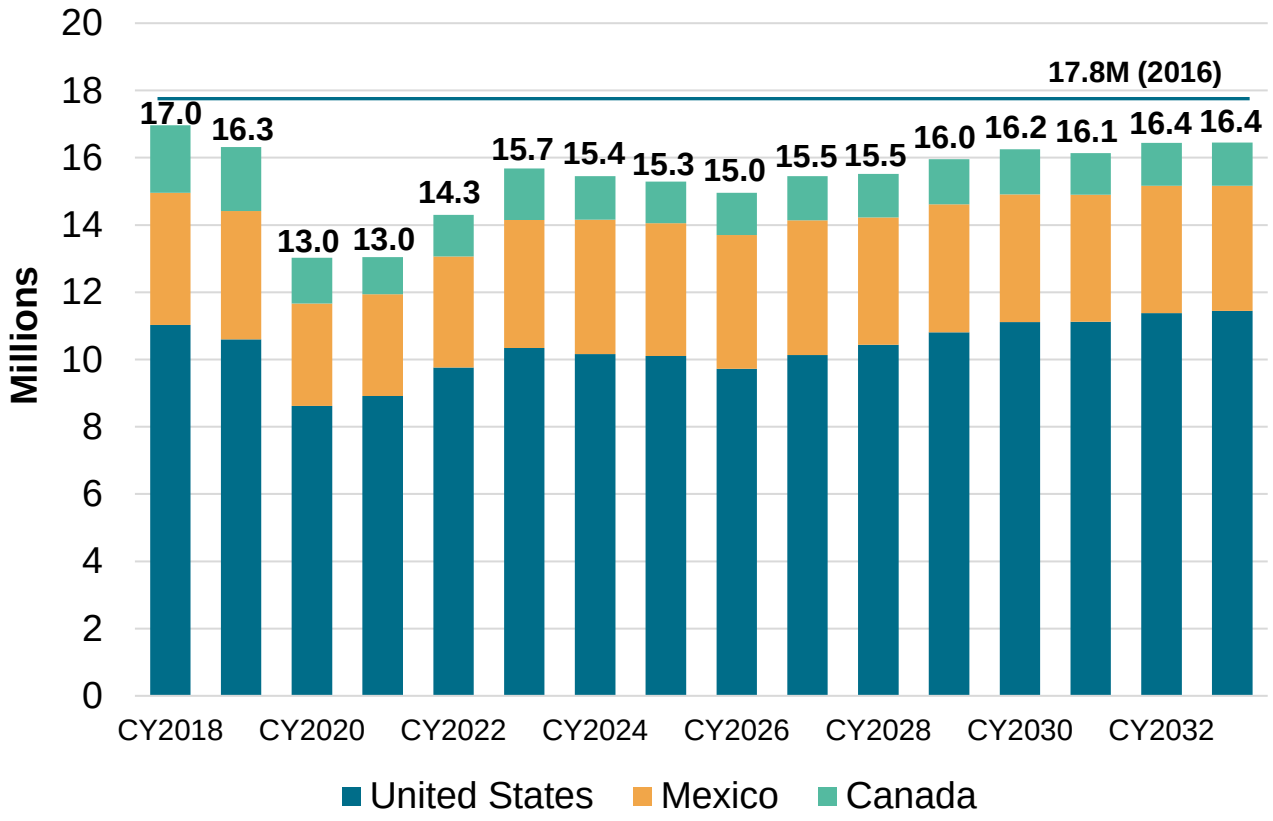
Key issues

- US consumer outlook remains challenged with inflation, interest rates, vehicle pricing and confidence as material concerns
- Opportunities to find right customer based on vehicle age and scrappage
- Launch activity is volatile; finding the optimal mix (segment, trim, etc.) will be critical
- Vehicle development costs in focus
  - EV sunk costs vs. longer ICE tail
  - Consumer contenting
- Market conditions are shifting, yet sales are still running at below-trend levels
  - Elevated interest rates; rate cuts in focus
  - Affordability remains a significant challenge

North America: Short-term Outlook Influenced by Tariff Actions

Tariffs, choppy BEV transition and vehicle pricing are critical concerns; tariff overhang remains a key risk, yet production has been resilient, material US resourcing not likely until 2027 and beyond

North America Light Vehicle Production Forecast



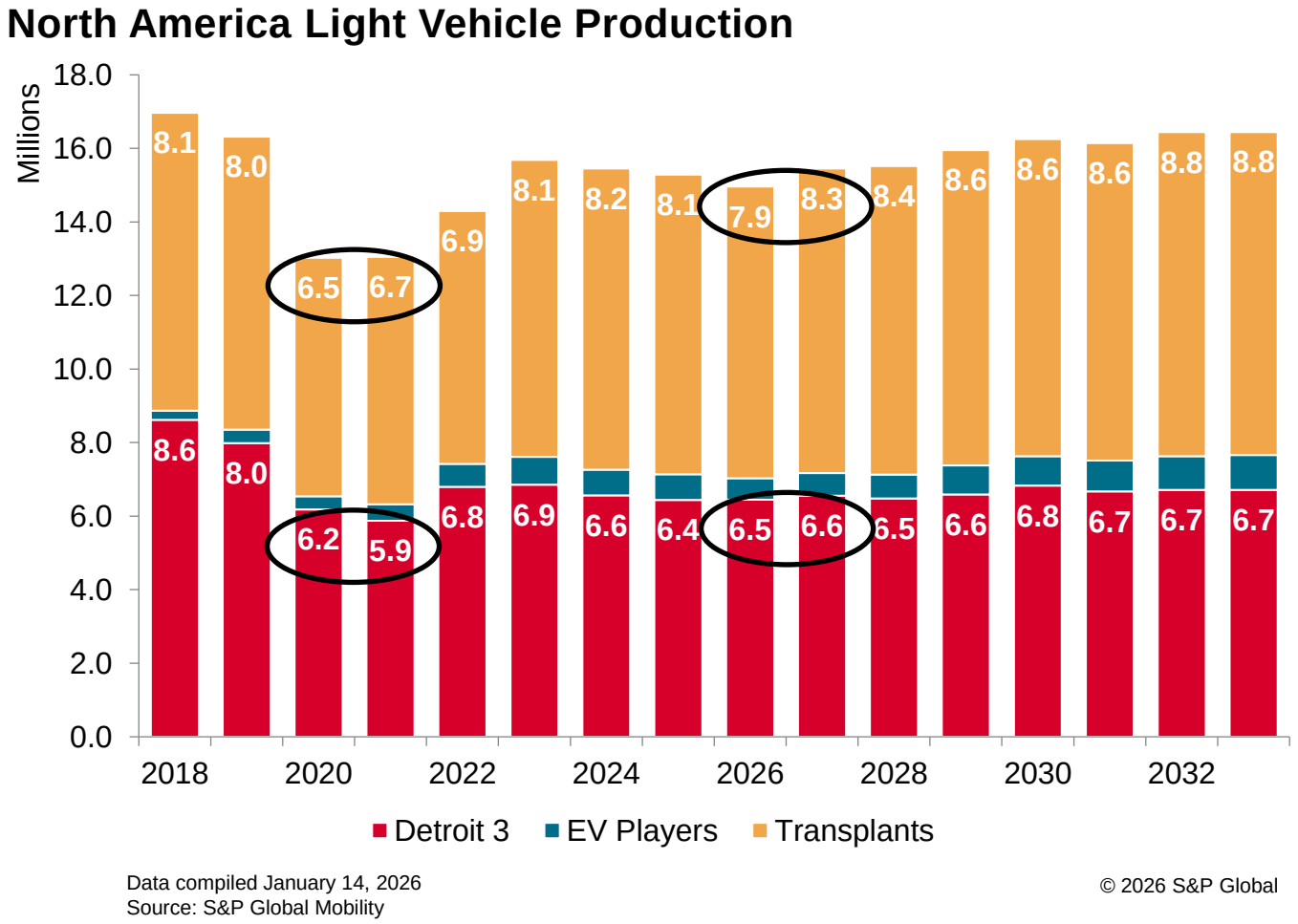
Data compiled January 14, 2026
Source: S&P Global Mobility

Forecast reset and reprofiled

- Mixed levels of certainty
  - Delay and defer
  - Extend status quo
- Build to demand
  - Balance volume; quality versus quantity
  - Opportunity for high-value vehicles
- Capacity expansion and maximization
- BEVs give way to ICE-based solutions
- Growth in regionalization
  - Pressures to shorten supply chain
  - BEVs as targeted catalyst
  - Tariffs and USMCA impact on sourcing

North American Light Vehicle Production

Detroit 3 refocus, struggling with BEV transition; Tariffs are expected to shift sourcing strategies…eventually



Data compiled January 14, 2026
Source: S&P Global Mobility

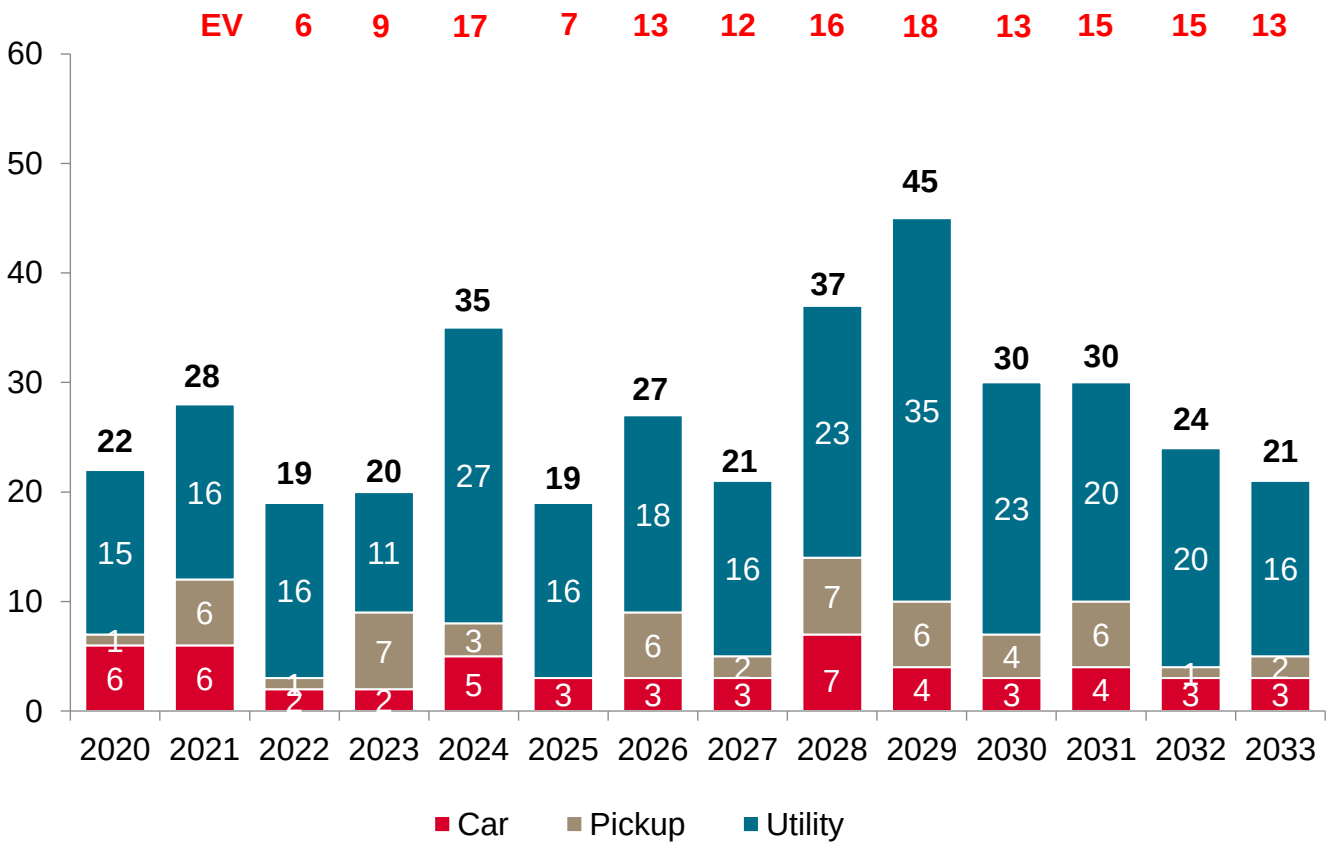
Divergent trajectories – 2019 to 2033

- Domestics
  - -1.3M units or -15.9%
  - Continued shift to light trucks
  - Rescoped BEV, higher for longer ICE
  - More closely tied to US sales
  - Build where you sell
- Transplants
  - +820K units or +10.3%
  - Localization
  - Capacity expansion
  - Global sourcing and increasing exports?
- EV Players
  - +582K units or +159.3%
  - Tesla remains dominant, although offshoring and competition slows the rate of growth
  - Monitoring other start-ups

North American Light Vehicle Production Launches by Vehicle Type

Capital needs intensify with new launches; Extraordinary volatility in timings adds risk through the supply chain

North America Light Vehicle Production Launches



Data compiled January 14, 2026
Source: S&P Global Mobility

Key Issues

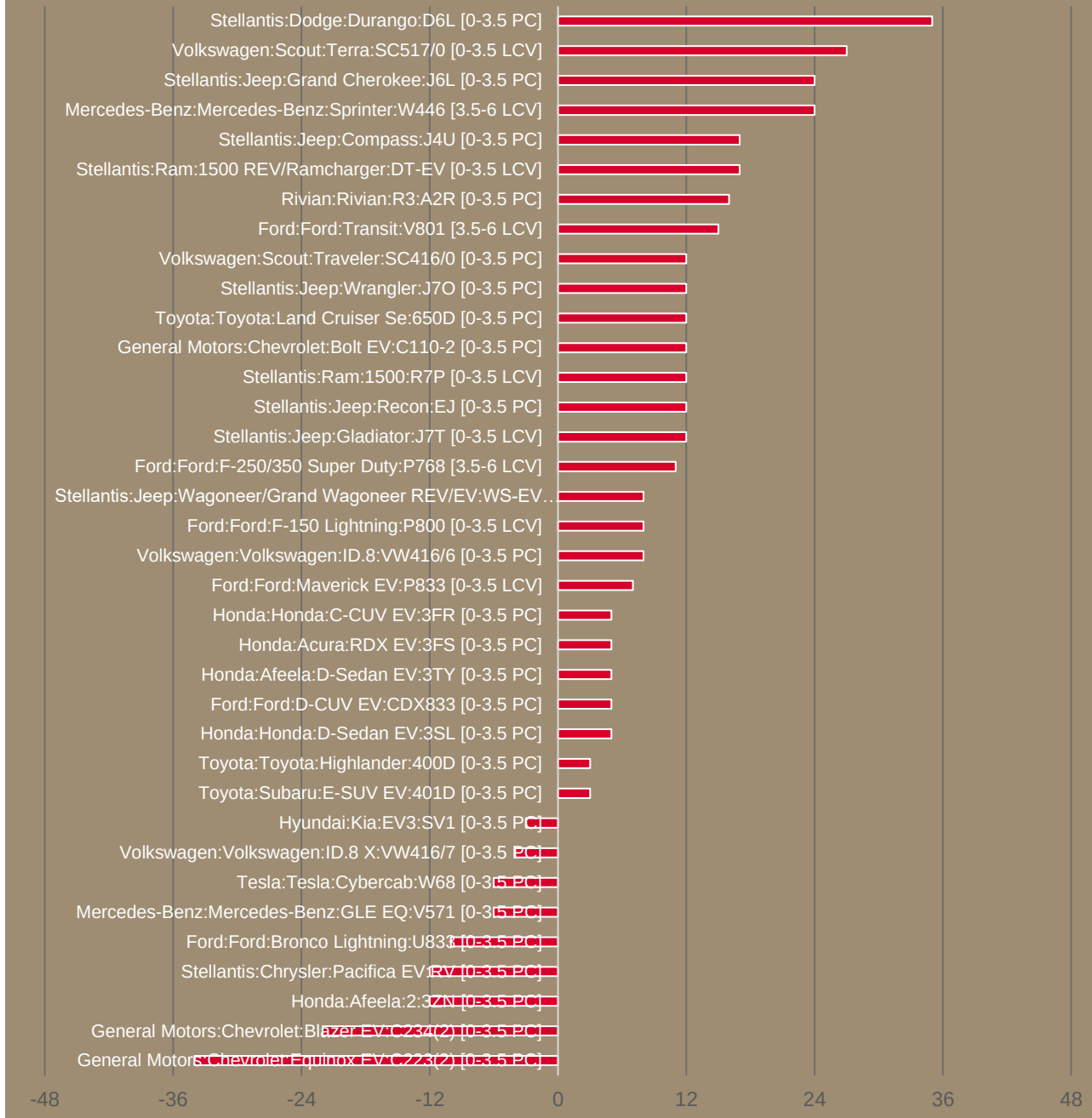
- Entering a period of noteworthy launch volatility with all-new BEV models and refreshed ICE offerings
- Potential for high degree of variability in timings as automakers balance capital spending, technology deployment, sourcing, etc.
- Watch for extensions to current vehicle programs – more minor/moderate facelifts to prolong lifecycles
- BEV activity: 12% or 2.0 million units of North American production by 2030
- Product redundancy – model count grows on new BEV launches with legacy ICE programs serving as a hedge

BEV Launches Give Way to Market Realities

December 2024 compared to December 2025, months between SOPs for BEV launches

- Breakdown for vehicles with BEV, FCEV or REX propulsion systems, SOP 2025 – 2030 only
- BEV Launch Movement Breakdown: 142 programs
  - **26 Launch Delays (18.31%)**
  - 9 Launch Pull-Aheads (6.34%)
  - **59 Program Cancellations (41.55%)**
  - 13 Program Additions (9.15%)
  - 35 No Timing Change (24.65%)
- Key Movements
  - Most cancellations belonged to General Motors (10), Honda (11), RNM (9) and Stellantis (9)
    - Cut all RNM EV launches past 2028, Removal of BYD
    - No changes for BMW due to multi-energy platforms
  - Average delay over one year across all delays
  - Expect many more cancellations with the pulling of EV sales tax incentives and slowing demand

Source: S&P Global Mobility, December 2024 LV Production +PropType FC vs. December 2025 LV Production +PropType FC
Data Collected January 6, 2026. MR

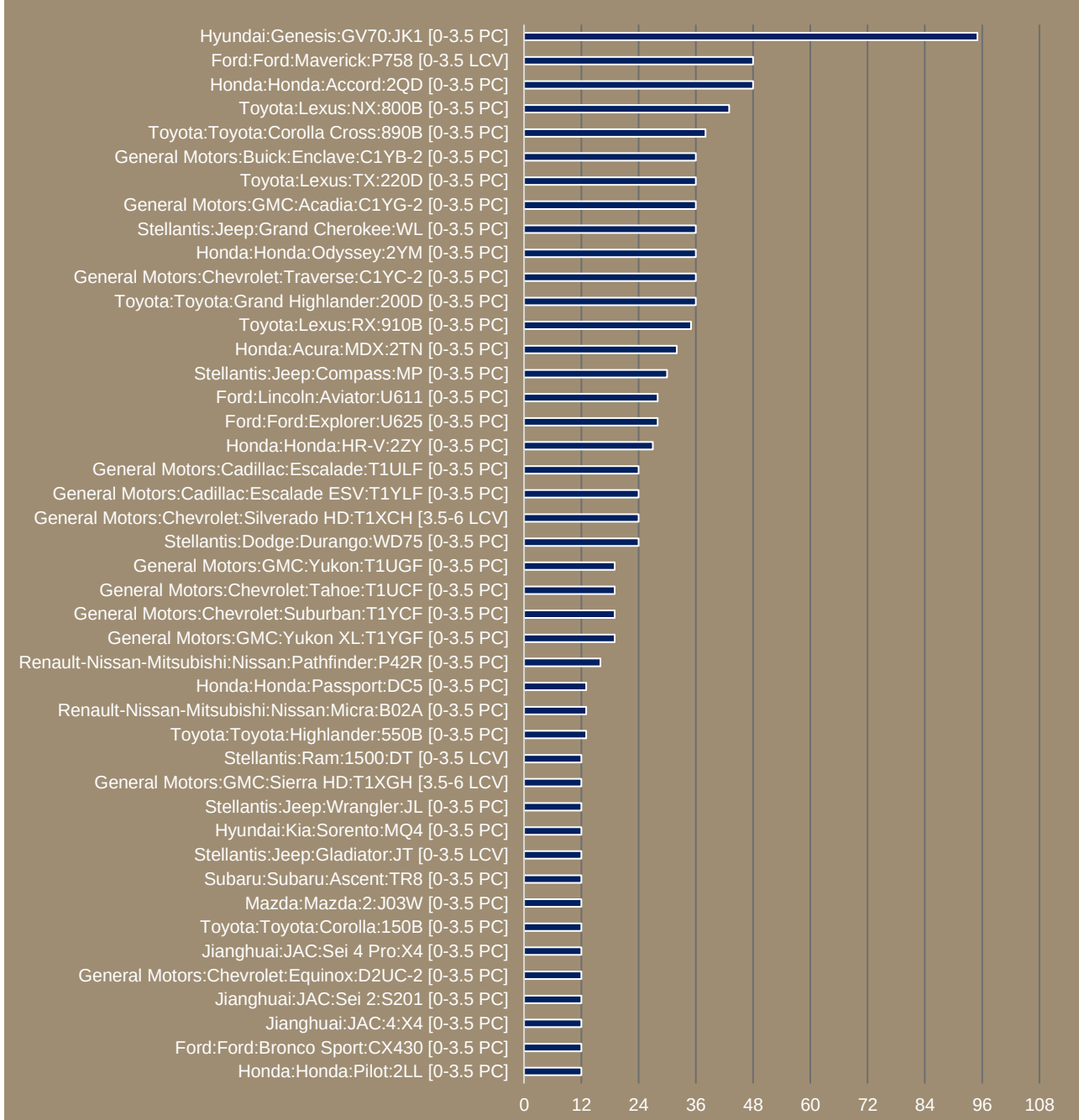


S&P Global
Mobility

ICE Extensions in the Face of BEV Stress

December 2024 compared to December 2025, months between EOPs for ICE vehicles

- Breakdown for vehicles with ICE, MHEV, HEV or PHEV propulsion systems, EOP's 2025 – 2030 only
- Movement Breakdown: 154 programs
  - **69 ICE program EOP delay (44.81%)**
  - 52 ICE programs stayed on time (33.77%)
  - 31 ICE programs pulled EOP ahead (20.13%)
- Extensions led by high running ICE trucks & SUV's
- With IRA going away, expect one of the following scenarios
  - ICE to be extended to subsidize current BEV market
    - Ford Maverick P758 @ Hermosillo, subsidizing F-100 Lightning P833
  - ICE to be extended and push back BEV launch
    - Chrysler Pacifica RU extended @ Windsor, pushing back Pacifica RV
  - Succussing BEV replaced with ICE or multi-propulsion
    - Acura MDX 2TN(2) replacing Acura MDX EV 3JJ @ East Liberty

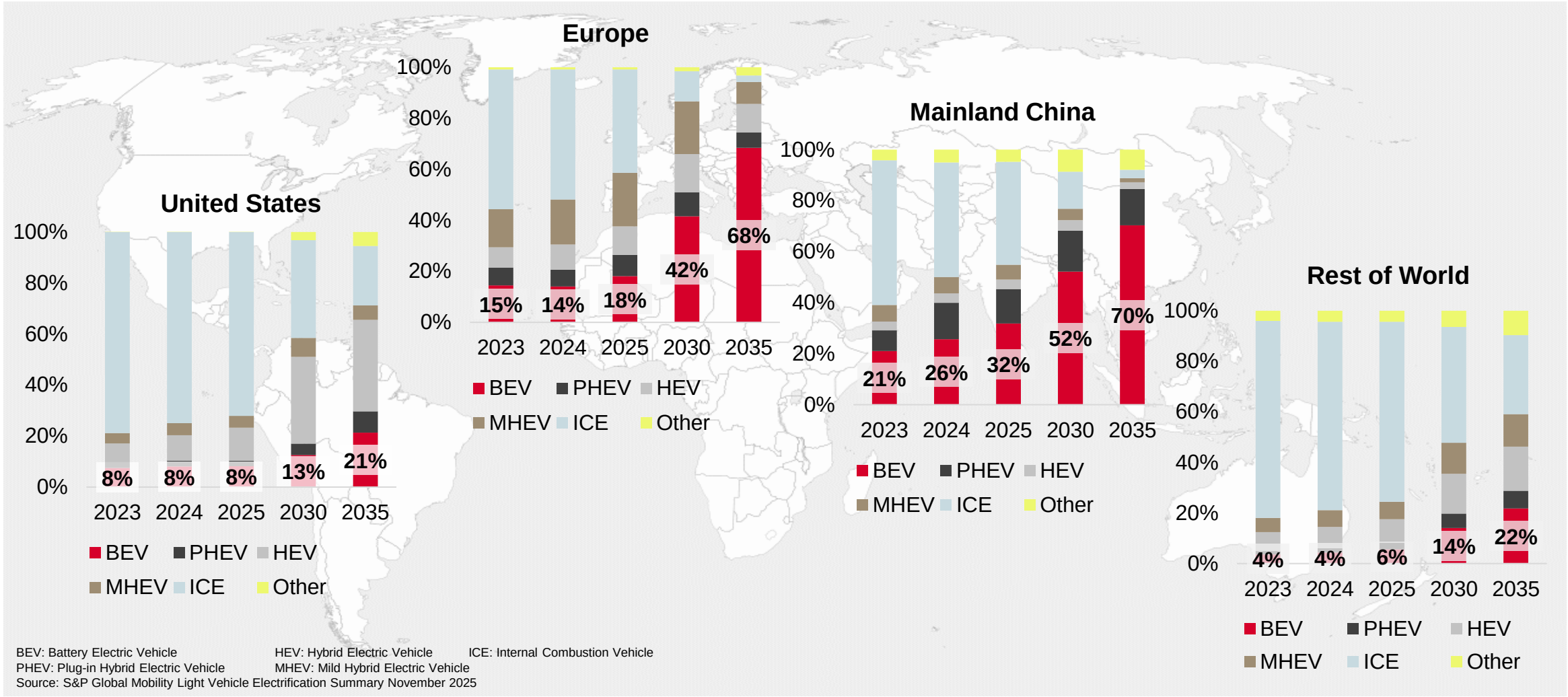


Source: S&P Global Mobility, December 2024 LV Production +PropType FC vs. December 2025 LV Production +PropType FC
Data Collected January 6, 2026. MR

S&P Global Mobility

Light Vehicle Electrification Trends by Region | Realignment of Expectations Continues…

Material downgrades for US and Europe, China holds steady; Model count remains an issue in some markets



BEV: Battery Electric Vehicle HEV: Hybrid Electric Vehicle ICE: Internal Combustion Vehicle
PHEV: Plug-in Hybrid Electric Vehicle MHEV: Mild Hybrid Electric Vehicle
Source: S&P Global Mobility Light Vehicle Electrification Summary November 2025

S&P Global
Mobility

Thank You!

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Adjusting to the New Realities of Being an Automotive Supplier

Charlie Clevenger, Principal, UHY

Jason Brewer, Director, UHY

Adjusting to the New Realities of Being an Automotive Supplier

Recap the New Realities of Auto Supply

2026 Imperatives for Automotive Suppliers

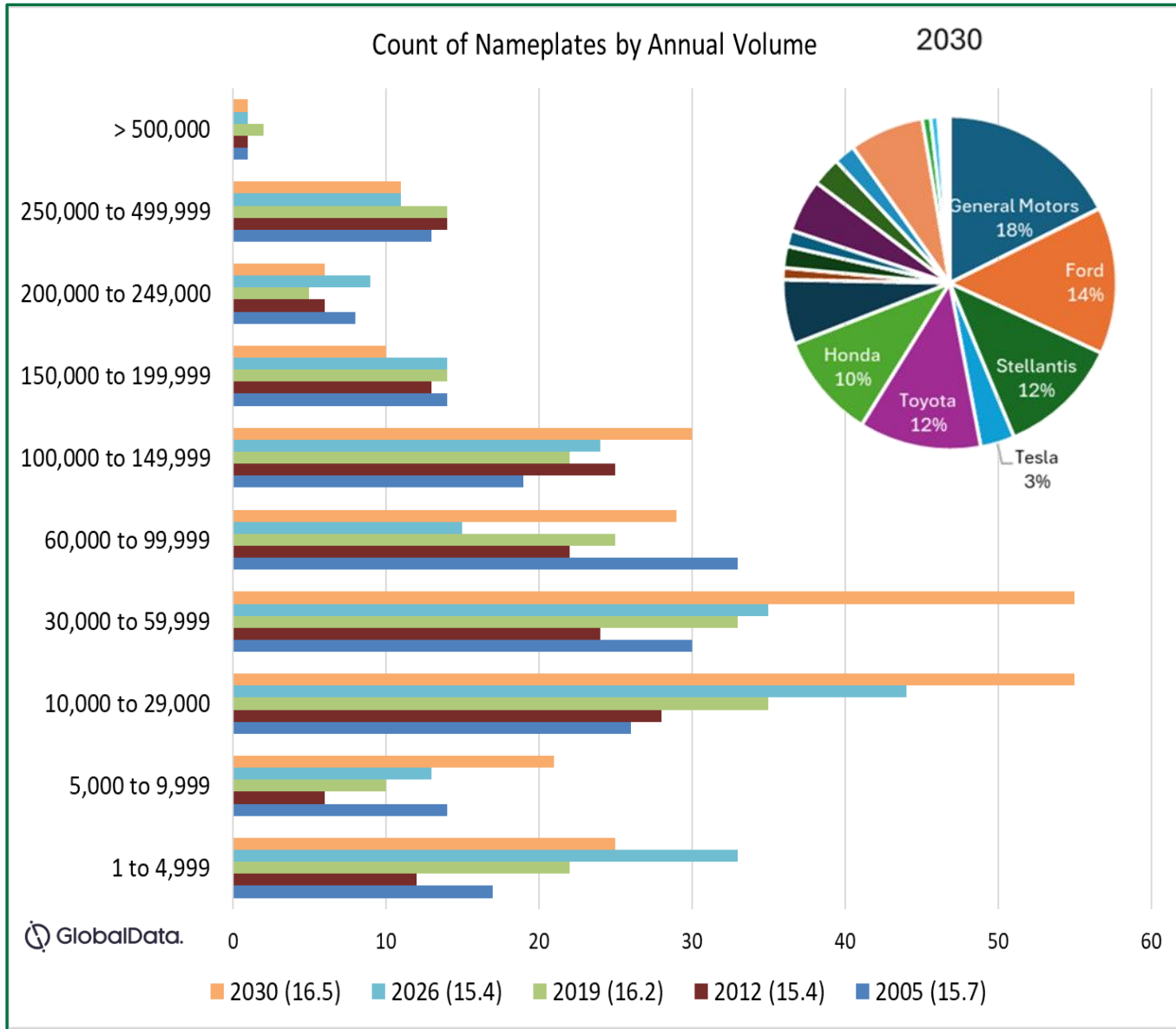
Domestic Auto Has Become Higher-Mix/Lower-Volume Amid Global Uncertainty

North American production

- Total unit volume is relatively flat to down
- Market share expected to continue shifting
- Consumers spend more for customization and personalization
- North American manufacturers will pursue profit through exploiting consumer trends with powertrain variants, trim options, and niche vehicles

Global uncertainty

- Increasing risk of conflicts around the world
- Tariffs and trade issues
- Regional regulations



Inputs are much more influenced by local supply and demand

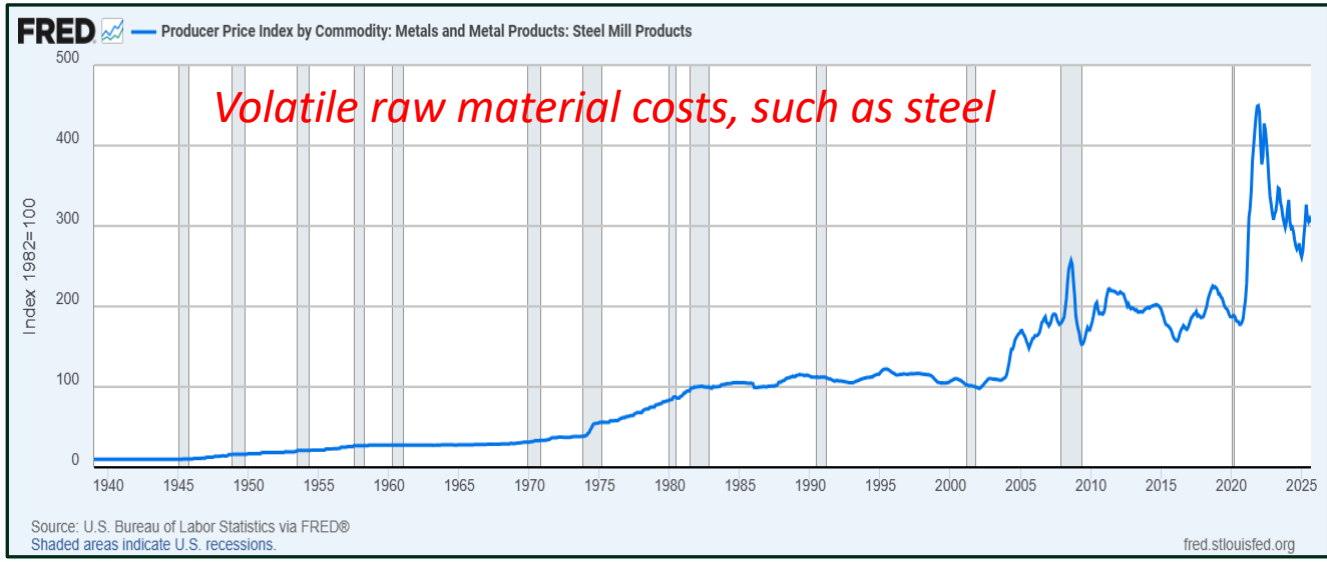
Manufacturers cannot be idle price-takers as key inputs become more volatile and situation-dependent

Raw material costs

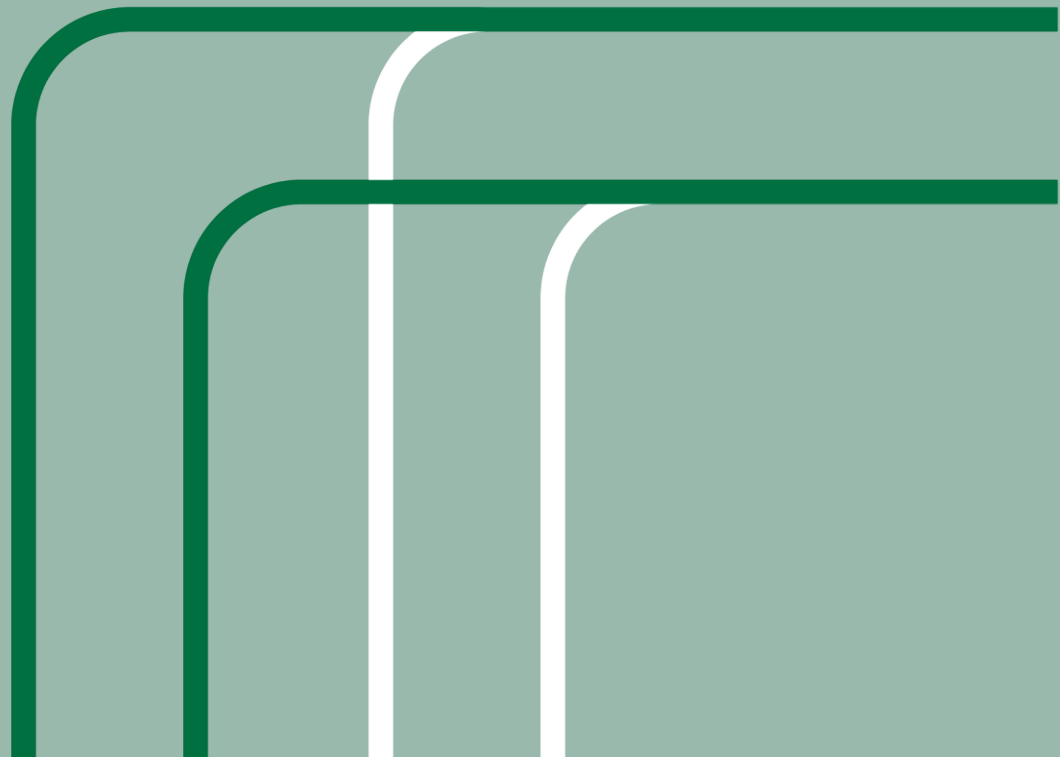
- Shifts in global trade, tariffs, and export restrictions
- Local volatility and availability
- Commodity costs pressures
- *Manufacturers can no longer be idle price-takers*

Labor availability

- Fewer job-seekers
- Applicants without mechanical skills
- Manufacturing no longer at a wage premium versus national averages
- Manufacturers can no longer rely on easy access to low-skill and skilled labor

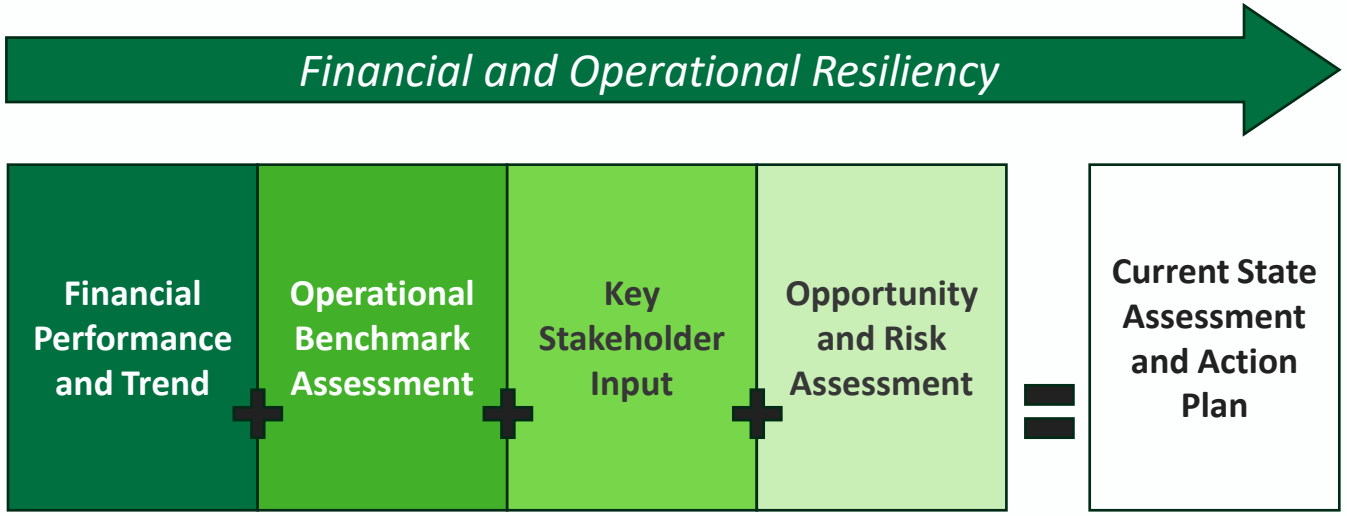


2026 Imperatives for Adjusting to the New Reality



1. Is your company positioned to adapt?

Many companies do not understand their weaknesses and what is critical to achieve financial resiliency



Get an independent expert assessment of your company

Where do you stand versus your competitors?

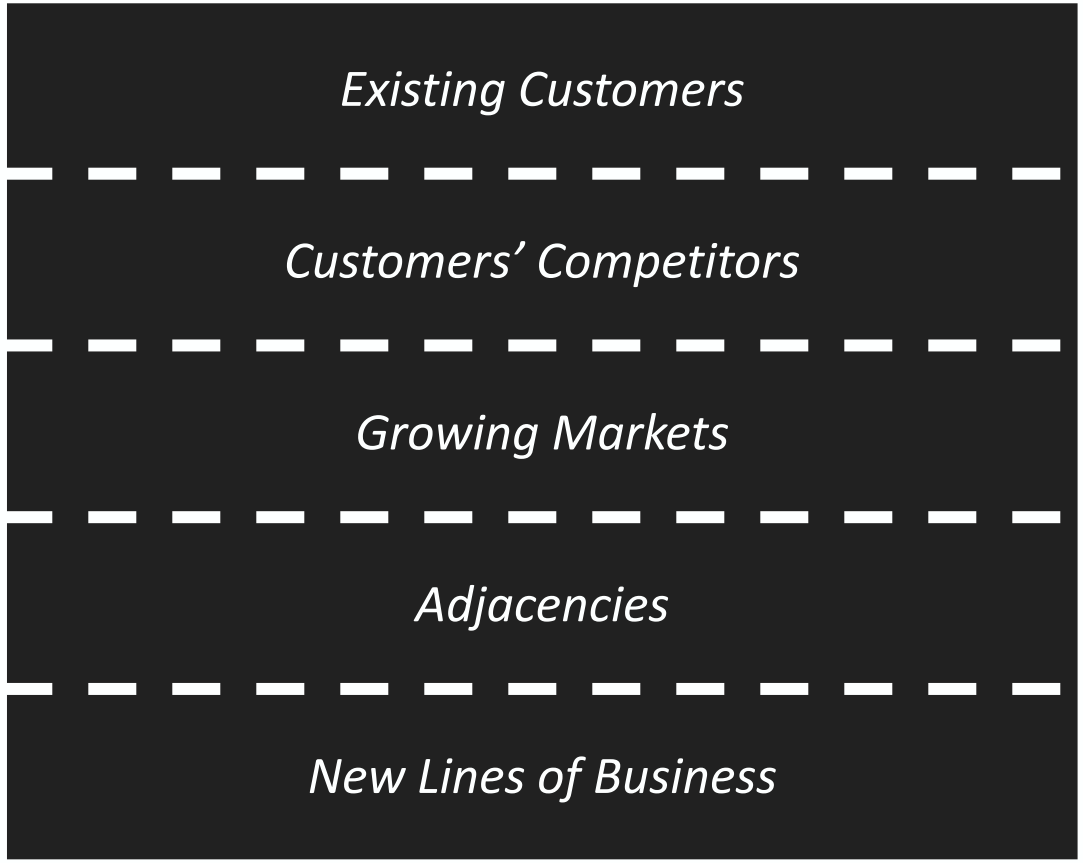
What is your financial resiliency?

Are you employing best practices?

- Customer diversity or dependency
- Purchasing process and materials management
- Labor efficiency and automation
- Use of data and metrics to manage the business

2. Does your company have a proactive strategy for growth?

Most suppliers have flat or declining revenues when adjusted for inflation, waiting for “when it comes back”



Adapted from Treacy, M. (2004) *Double-Digit Growth*

Waiting for your dominant OEM to drive your growth with new programs is not a sustainable strategy.

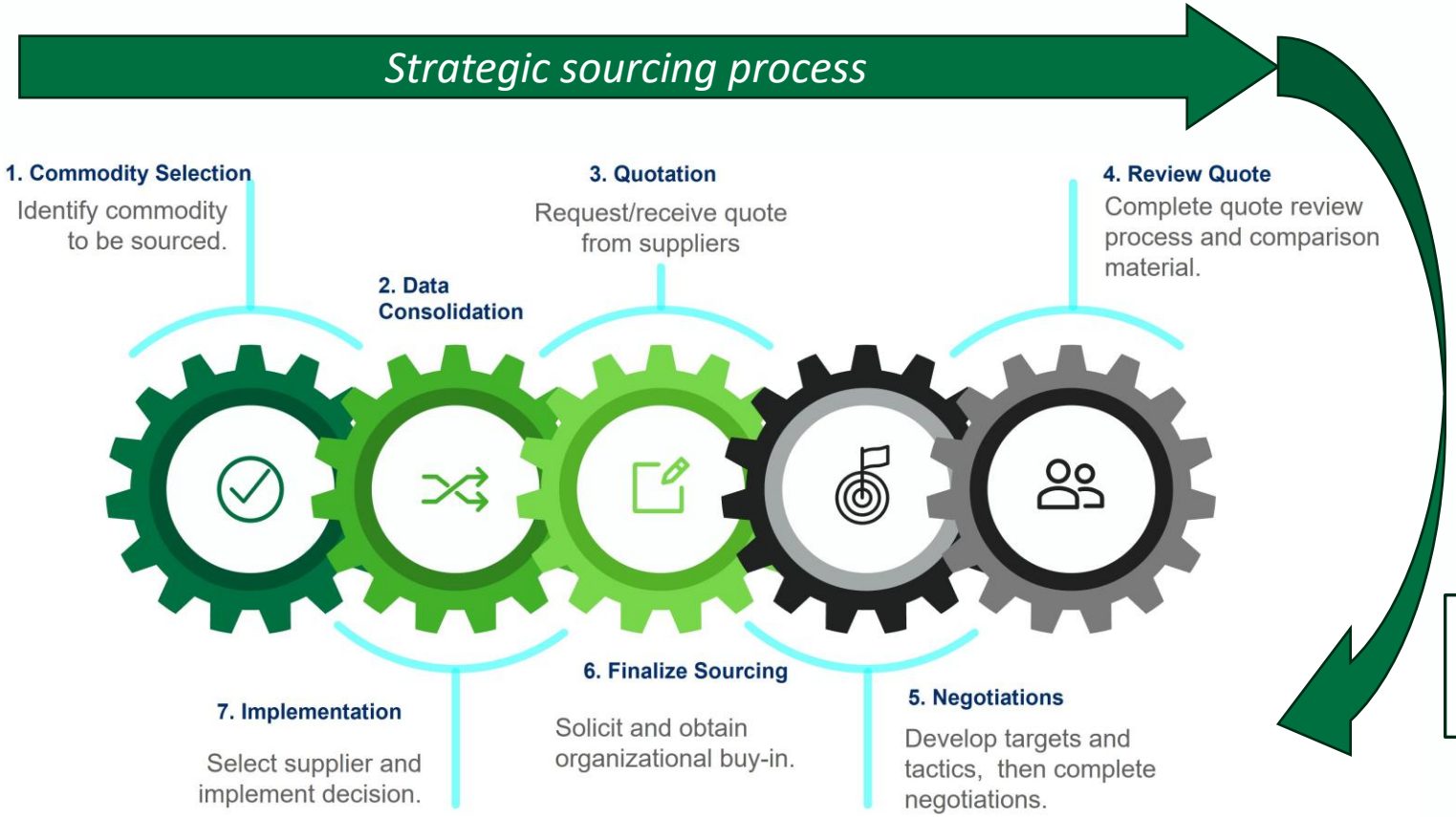
From a position of improved competitiveness and increased value, PROACTIVELY PURSUE:

- Adjacent or complementary products
- Share from suppliers of other OEM’s
- Non-automotive markets –*which will also likely be* ***high-mix/low-volume***

Set quantitative sales goals and build proactive action plans for each lane

3a. Are you growing your margins through best-in-class materials costs?

Most suppliers are using outdated purchasing practices to buy as-needed at the prices given to them

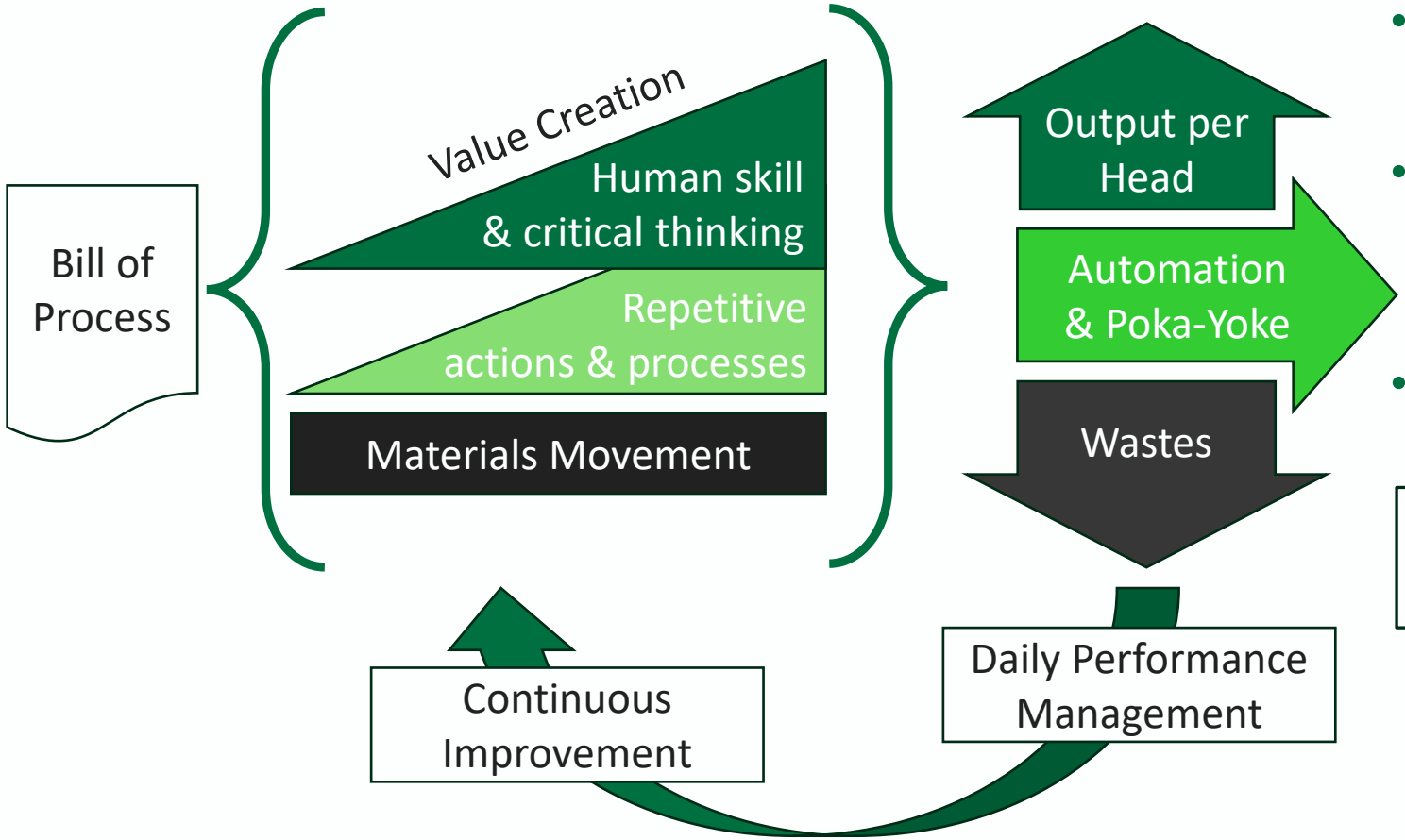


- In our experiences and data, we're seeing direct and indirect materials costs reduced by 8% to 20%
- Engage a strategic sourcing process to repeatedly explore improvement opportunities and secure long-term agreements

Set a goal to reduce purchases % of sales by 1% to 1.5%

3b. Are you increasing your margin through improved labor effectiveness?

Most suppliers expect they will easily find labor to throw at any problem, and complain when they can't



- Flexible automation is becoming easier to implement at lower costs
- Upskill workforce for greater value per part touch, problem prevention, and continuous improvement
- Daily management of value creation

Set a goal to grow revenue without added headcount

2026 Imperatives for Adjusting to the New Reality

Don’t wait for a better year, set and achieve goals for better performance

1. Independent third-party business assessment	*Identify risks and weaknesses to develop mitigation and improvement plans*
2. Grow revenues through diversification	*Set targets and proactive actions for revenues outside existing business*
3a. Expand gross margin through lower material costs	*Set material % of sales reduction target and drive a process to lower costs*
3b. Expand gross margin through increased labor productivity	*Set value-add per head goal and redesign work, implement automation, and manage daily*

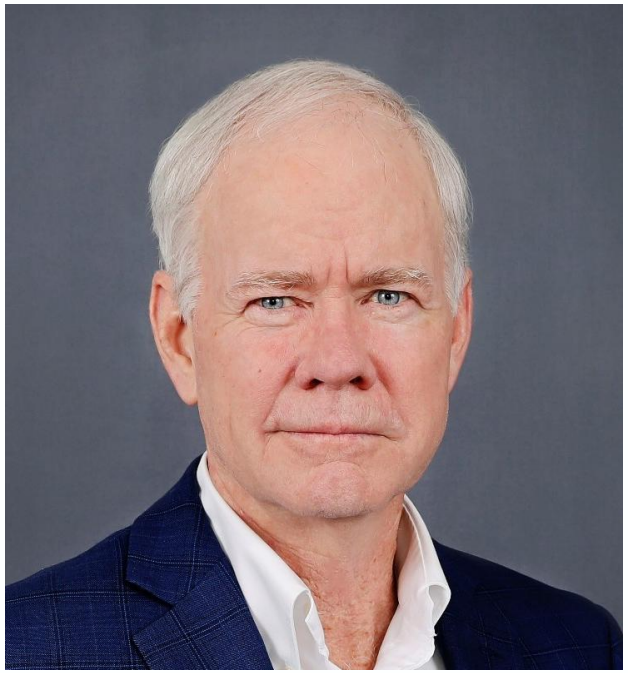
QUESTIONS?

UHY Business Performance Optimization

- Global industry work experience
- Technical education
- Executive leadership positions
- Professional working relationship with hundreds of manufacturing companies
- Focused on delivering measurable accretive benefits

REFRESHMENT BREAK

Navigating Change with AI as the New Competitive Lever



John McElroy
President, Blue Sky Productions

Ted Mabley, Director, UHY

Ajay Chawla,
Chief Executive Officer
of OnTrac AI


ONTRAC

AI used to Discover Other Use Cases for a Standard Automotive Actuator Motor

Use of AI in this Motor Example

What Worked:

Found the motor supplier, Johnson Electric, HQ is Hong Kong, with manufacturing locations in Vietnam, China, and Mexico.

Learned that this motor has been in use on a High-Volume Pick-Up program since 2017

Provided a Bill of Process to develop a Bottom-Up Cost estimate.

Could obtain other motor suppliers (Mabuchi, Nidec, Mitsuba) and 8 Chinese motor suppliers

This provided the background for developing a cost model in approx. 90 mins (without a master motor cost model, 25 mins with a master model)

This motor is also located in another OEMs service parts website (same part number)

Confirmed it is a standard motor

Provided a range of what an OEM program price could be.

Summary: A Skilled Knowledge Worker Is Required To Validate Not Only The Output (Cost) But The Input As Well (The Ask)

What Didn't Work:

Asked ChatGPT 5.2 for a detailed cost model.

- Could not obtain an accurate parts list
- Only general shop rates for three country locations:
- China, Mexico, US and Hungary
- ChatGPT could not provide a sintered process cost for the magnets
- No details on the shop rates, nor could I get a transparent cost of CAPEX
- No accounting for ED&D
- No detail on what constitutes:
    - Labor
    - Material
    - Fixed and Variable Burden
    - SG&A/Profit
    - Others
        - Tooling/dunnage/inbound logistics/material overheads

Could not obtain, after 3 plus hours, a Cost Model that could be used in supplier negotiations, due to a lack of a defendable Bottom-Up Greenfield/Brownfield Cost Model

The Cost Stack was;

- Bottom Up Should Cost Mexico: $1.85 (1mm units per year, 7-year program life.
    - ChatGPT
        - Round 1: $5.89
        - Round 2: $4.34
        - Round 3: $2.50
        - Round 4: $0.99

Basic Fundamentals of Cost and It's use in target Setting and Supplier Negotiations

The greatest areas for cost savings typically lie in:

1. **Early-Stage Cost Identification** – Addressing cost drivers early in the product development cycle helps prevent expensive design decisions and sourcing inefficiencies.
2. **Cleansheet/Bottom-Up Costing** – Breaking down cost elements (raw materials, labor, processing) to establish a fact-based cost baseline allows for targeted cost reduction efforts.
3. **Supplier Negotiations & Fact-Based Procurement** – Using detailed cost models and AI-driven analysis to challenge supplier quotes and optimize procurement agreements.
4. **Design Optimization** – Simplifying product designs, reducing complexity, using new lower-cost materials, and standardizing/reusing components help lower material and production costs.
5. **Manufacturing & Supply Chain Efficiencies** – Improving batch sizes, lean manufacturing processes, and optimizing supplier locations can significantly reduce operational costs.
6. **AI & Digital Transformation** – Automating cost analysis (Next Gen Cost Systems) , standard specifications (material and performance), and predicting cost/supply fluctuations improve cost efficiency and supplier CAPEX utilization.

Leadership & Agility
In Today's Dynamic Industry

Jan Griffiths, host of The Automotive Leaders Podcast

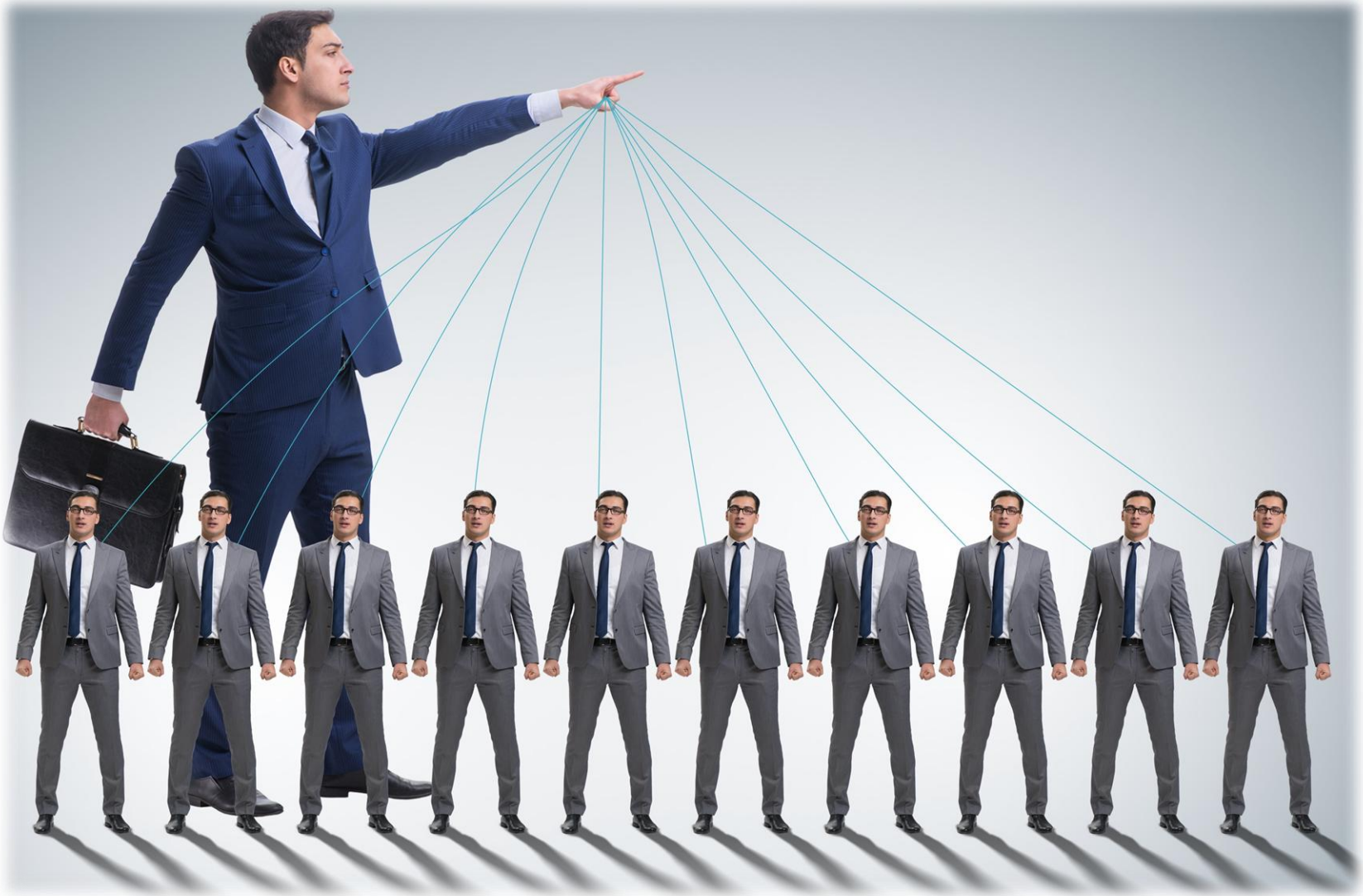
Getting to 100 million users

75 Years

2.5 Years

2 Months

The way we lead




To operate with command and control in leading people today is the equivalent of playing tennis with a golf club - it's the wrong tool for the job
Stephen M. R. Covey
The New York Times and #1 Wall Street Journal bestselling author of The Speed of Trust and Trust & Inspire
on episode 65 of the Automotive Leaders Podcast

Speed breaks old leadership models

Old leadership assumes time, time is gone!

China speed

Terry Woychowski

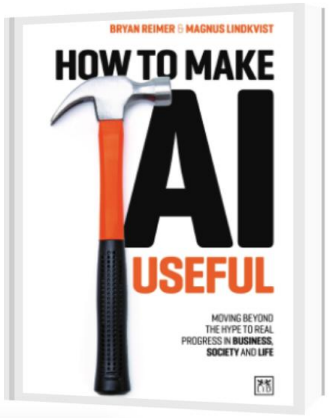
President of Caresoft Global

Former General Motors Exec.
Global Vice President of Program Management, Quality & Vehicle Launch
Chief Engineer - Full-Size Truck

Caresoft®

Merging man and machine

AI leadership and culture



"You will not be successful with AI unless you fix your culture first

Dr Bryan Reimer
MIT Research Scientist

Challenge your leadership!

Lead with conviction and not compliance
Trust yourself and others

Empower your people
Move data and decision making to the front lines

Shorten decision loops
Challenge often, iterate

AI as a co-pilot vs. autopilot Amplify the human

RETHINK *How you lead*

REINVENT *How you decide*

RISE *By acting before you feel ready*

Jan Griffiths

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