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Key Takeaways from Global Auto, Mobility, and Robotics Conference

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Preparing for the world to change

While European and US auto markets remain surprisingly resilient in the near term, companies are actively monitoring and bracing for the escalating impacts of the Middle East conflict, which are currently manifesting as inflationary pressures across raw materials, logistics, freight, and energy costs. Although immediate financial hits in 2026 appear largely mitigated thus far by existing hedging and passthrough strategies on oil and raw materials, suppliers recognize that prolonged geopolitical friction has the potential to impact volume and profit. Separately, suppliers are actively seeking secular non-auto growth opportunities by leveraging existing product portfolios and manufacturing footprint.

Volumes – surprisingly resilient but for how long?

Across OEM and AutoParts , both Europe and the US have been described as surprisingly resilient in the current environment while China was rather soft domestically with particular strength in exports. Higher oil prices are not yet translating into softer consumer demand but all companies are preparing for adverse impacts should they start to show later in the year. On the OEM side, order momentum in Europe has been described as good across powertrains and AutoParts names have indicated continuously improved call off stability in a YoY comparison for Q2. In the meantime, IHS has seemingly incorporated worse production environment in the latter part of the year within its latest May revision, cutting about 500k units of production for 2026, 1.2m units for 2027 and 800k units in 2028 baking in higher for longer oil prices. From a sentiment standpoint, this directly contrasts with the resilient environment commented by suppliers and OEMs across the board. Admittedly, near term visibility is roughly 10-12 weeks, and we suspect 2Q will shape up solidly, pushing any potential risks off to 2H and 2027.

Pricing: tariffs, inflation… how much can the consumer digest?

In the US, it is difficult to raise prices to fully offset tariffs. Europe also remains challenging from that standpoint, and China pricing is showing signs of stabilization. Particularly in the US, OEMs are focusing more on the model year changeover and mix strength, which serve as natural boosts for ASP without actively passing through inflation and tariff costs to end consumers. At the same time, both incentives and inventory are carefully managed, with profitability increasingly helped by contribution from software and services.

Middle East conflict/cost – energy and logistic cost to hit first

The exposure of the operating business of most companies to the region remains small and negligible in a group context but the cost impact of the Middle East conflict are starting to show. With decent hedging levels on energy and raw materials, the headwinds are comparably small in 2026 but increasing in 2027 as hedging levels roll off. Logistic/freight cost and inflation from lower tiers of the supply chain are starting to show and efficiency measures are initiated to mitigate the negative impact on earnings. Suppliers are largely passing through the higher raw materials to OEMs, often occurring a 3- to 6-month lag.

Non Autos – new growth

AutoParts names are increasingly outspoken about growing ambitions to win non auto business through levering existing IP into other end markets. These ambitions range between building Humanoid components business to supplying components to data centers or providing components for Defence systems. With that, securing topline growth and improving capacity utilization is targeted which should support earnings improvements as well as a change in narrative on the companies finally returning to more meaningful growth. For now, the business remains almost too small to have a sizeable growth impact, with more meaningful contribution 2-5 years down the road. Depending on the supplier in context, the conversations around non-Autos have range from technology compatibility, to investments required and potentially through M&A, to actual awards and revenue recognition in the out-years.

The China Dynamic (Exports & Localization)

Chinese OEMs are aggressively expanding their global footprint, capturing market share in regions like ASEAN, South America, and Europe. For suppliers, aligning with Chinese exporters acts as a significant revenue tailwind, though it forces legacy automakers to either heavily localize their supply chains or rethink their pricing to remain competitive. We've so far seen very strong export patterns out of China YTD, and conversations suggest the this may be accelerated by OEMs shipping ahead of anticipated Brazilian tariffs.

EV Normalization & Powertrain Pragmatism

In the past few quarters, expectations and order books have been revised downward as consumer demand shifts toward hybrids and ICE vehicles. Consequently, we have approached a point where many suppliers are carefully managing their EV investments and benefiting from the extended lifecycles of ICE platforms. As suppliers see an influx of pipeline deliveries for ICE and hybrid models due to the extended lifecycles of ICE vehicles, they are also carefully managing EV-related businesses and often require shared-cost with OEMs on incrementally new investments.

Ongoing Restructuring and Capacity Rationalization

With shifting demands and the need for greater efficiency, numerous companies are undergoing strategic footprint reductions. This involves closing underutilized plants, feathering out workforce reductions, and leveraging automation/AI on the factory floor to optimize margins. While ongoing automation may be the normal course of operation, we do also hear increasing use of AI and tools to improve productivity. Union-related discussions have not yet been a major focus as of now, and companies don't foresee this being a topic of discussion until end of decade into 2030s.

Individual Company Takeaways

Aptiv (Buy)

We hosted meetings with **Betsy Frank (VP of Investor Relations) and Aileen McAdams (IR)**. The focus of the conversation has largely been on Aptiv's non-Autos business which today is about $3bn and path to expanding that.

- **Non-Autos business**: About $3bn today for non-automotive revenue, and while the company is learning and making some investments, it's not flowing through in a meaningful way yet vs. its light vehicles business. Despite that, Aptiv cited that it is still the leader in non-autos exposure amongst suppliers. Aptiv will continue to disclose non-automotive revenue and will reconsider the level of detail as it becomes a more significant part of their business.
- **AI/Data Center Market:** Aptiv's current product portfolio is not comparable to competitors like Amphenol and TE Connectivity in the data center space, lacking certain key products, but are pursuing opportunities in high-voltage connectors (busbars). Achieving a full data center system would take more than a couple of quarters and would likely require M&A. Aptiv is encouraging its team to focus on Aerospace & Defense (A&D) and battery/energy storage, while acknowledging that a one-size-fits-all approach isn't suitable. The goal is to work to deepen commercial relationships to manage the intricacy and dynamics of each end market.
- **2Q outlook and 2H dynamics**: No meaningful change or incremental call-outs have been observed halfway through Q2. But 2Q margin will be impacted by the absorbance of stranded costs. Commodities impact (110bps in 1Q) is expected to subside in 2H, and heading into the second half, Aptiv expect to lapse the impact of three specific China program cancellations from NIO and Zeekr. in addition, Ford-related issues from aluminum fire at supplier should subside, and new ramps/launches are expected in 2H to help improve GoM. On a full year basis, Aptiv's global production weighted estimates incorporate customer guidance but do not include incremental conservatism for the current year, unlike its previous outlook for 2025. IHS is notably more conservative as it incorporates more pronounced impacts from the Middle East Conflict and inflationary pressure as of late.
- **Capital allocation strategy**: Aptiv believes it deserves a higher multiple but acknowledges the need to demonstrate it. Buybacks are a focus, especially post-spin given current valuation. Adjusted for all the EDS-related spin-out costs this year, FCF would have been at ~$1.2bn. M&A opportunities are still being evaluated, but the goal is to be prudent with capital.

Aumovio (Buy)

We have hosted meetings with Jutta Dönges (CFO) and Lutz Ackermann (Head of IR).

Main takeaways are:

- **Current trading:** The company indicated to have had a softer start to Q2-26 with regards to volumes but also as cost headwinds are increasing. While Europe and North America are not showing significant signs of deterioration, China trends below expectations. With regards to margins, increasing cost headwinds and still lagging compensation will weigh on margin in Q2-26 while restructuring related cost reductions are a positive. There has been no comment on the size of the q/q margin improvement and no commitment to be within the guidance corridor for margin in Q2-26.
- **Middle east/cost:** There has been no impact of the middle east conflict in Q1-26 but cost such as logistics are increasing and should show an impact in the quarters ahead. The overall inflation hit of freight/logistics could be in double digit EURms but is fully considered in the guidance.
- **One time cash outs:** The size of the one time cash outs related to restructuring will still depend on the outcome of the negotiations with the unions on the last R&D restructuring program that was announced. With regards to one time spin cash outs, tax related cash outs could see a higher share of cash out in 2026 and as a consequence less in 2027.
- **Memory**: It was reiterated that 2026 volumes and price is largely sourced/covered but 2027 volumes are still to be secured. The company is currently working with OEMs to get a firm view on volumes needed and with that is seeking to secure direct price pass through for 2027 as well.
- **Aurora ramp up**: With regards to the Aurora contract ramp up the timeline has been fully confirmed and recent customer wins indicate decent commercial momentum for Aurora in recent weeks. With the SOP R&D spend should come down while operational cost increase in the ramp up phase, in our view. The company reiterated that the contract should be decently margin accretive for the division and the group once ramped.
- **Portfolio measures**: A strategic portfolio review is currently in progress and post this review decision on potential disposals will be announced.
- **Capital allocation policy**: It was confirmed that in H2-26 the company plans to host an event with a more detailed introduction on its capital allocation strategy with an update on dividend policy, capex and returns on invest as well as M&A.

Autoliv (Hold)

We have hosted meetings with **Mikael Bratt (President and CEO) and Anders Trapp (VP of Investor Relations)**. Investor focus has been on this year's 2H assumption and trajectory of margin progression throughout the year, as well as growth drivers in 2027+.

- **Raw materials and pass-through:** Management expects gross increase of $90m in raw material costs mostly in 2H, with 50% recoveries already secured. The remaining recovery is subject to negotiation and the net headwind is considered small enough to be offset by other factors. On a separate note, FX from Euro, Japanese Yen, and Chinese RMB also help for the year.
- **Dynamics between 1H and 2H:** So far in 2Q, there are no major surprises in April. Autoliv expects market mix to be neutral in 2026 vs. 2025. However, 1Q benefited from a market mix advantage through regional, customer, and model mix variations. It is generally driveline neutral with about same market share on ICE and EV. Quarterly margins cadence should be similar to that of the past but the magnitude of the jumps in margins from quarter to quarter will be smaller.
- **Cost reductions:** About $30m left in the white-collar labor force reduction. The company also recently announced the closure of a Turkish operation, which should contribute about $40m in benefit when fully completed by 2028, with $20m expected for 2027.
- **China and India**: In China, 44% of revenue comes from local OEMs, and Chinese OEMs are projected to reach 60% market share. It estimates that Autoliv has a higher share in China exports vs. local sales but it's difficult to trace given that some platforms produce vehicles both for domestic sales and exports. So far in 1Q, China mix is better for the company because it's largely lower-end vehicles seeing declines. At the same time, Autoliv is well-established and not in a defensive position outside China. It won its first Chinese OEM RFQ in Europe. In India, its current market share is 60%, and future growth should be driven by content per vehicle gains thanks to local regulations; current CPV of $150-$155 could reach $170. India is also emerging as an export hub, but that will take a few years to materialize.
- **Long-Term Growth (2027+):** Overall, positive LVP recovery would lead to significant potential. Management pointed to the long term organic growth of 4-6% coming from: 1-2% from LVP, 1-2% from content growth (driven by vehicle sophistication, different seating positions for AV, and entirely new requirements), 1-2% from adjacent safety solutions. The last piece, as talked about in the past, is more of a 2030 story.

BorgWarner (Buy)

We have hosted meetings with **Craig Aaron (EVP and CFO) and Patrick Nolan (VP of Investor Relations)**. Investor focus has been on the data center related opportunities, specific details related to delivery, and 2027+ growth drivers.

- **Data Center / Endeavor**: Management focus is on securing awards outside of what has been won, and thereafter will determine expansion for capacity. Decisions should be made in 2H. The CFO cited that the company is happy to put capital into the turbine generator business; this year's capex is 4.5% of sales inclusive of the $75m for the North Carolina facility for assembly of turbine generators. This contracts with 3% in 2025, and steady state should be in the 4% range.
- **Capacity expansion beyond 2Gwh for turbine generators:** There are a few factors to consider when it comes to thinking about BWA's decision on capacity expansion. First, the company will need to go through product certification. The products will be in the c-sample stage by the 2H. Secondly, the Hendersonville facility will need to be completed. And thirdly, the company will be monitoring how orders are trending. Management believes that demand isn't the issue and the priority is to get the launch right, at automotive speed. The expectation is still for $300m revenue in 2027, as the company is more supply constraint. All in, speed to market is extremely important and BWA needs to demonstrate that. Management did not go into details on capex beyond the the 2Gwh, but said that expansion to Europe is easier than Asia.
- **2Q and 2H dynamics**: The LVP assumption for the year is flat to down 3% range, vs. IHS at down -2.5% lately. So far in 2Q, there is no material movement or deviation from that expectation. There is no particular impact from Ford's F150 production due the fire issue at its aluminum supplier; engines are still being produced even if final assembly is impacted at Ford. On the eProduct side, management still expects that business to grow +10% this year (vs. 30% in 2025) and more weighted towards Europe. From a margin standpoint, the cadence is similar on a YoY basis, and 4Q should be stronger margins with more back-end loaded recoveries.
- **2027+ growth drivers:** 2027+ growth should benefit from new awards (the company had publicly announced ~30 of them but total is more). Management is also seeing more awards in foundational products, and thought it is already positioned at either #1 or #2 in market place, the company is challenged to still go after market share. The CFO expects to provide proof points of stock premium in February 2027 when it will provide guidance and outlook for next year.

Dana (Buy)

We have hosted meetings with **Byron Foster (Incoming CEO; President, Light Vehicle Drive Systems), Timothy Kraus (CFO) and Craig Barber (Senior Director, Investor Relations).** Investor focus was generally on the company's plans and execution towards its Dana 2030 outlook.

- **Incoming CEO settling in:** Investors had the opportunity to speak with Byron Foster, the incoming CEO. While his official takeover is later this summer, questions were asked about his settling in, which is ongoing, though for now a replacement has not been named to take over the Light Vehicle Drive Systems segment.
- **Labor Contracts:** The company also recognizes that a peer supplier is currently undergoing negotiations for one of its plants. The company doesn’t have a master contract with the union. While the question was raised about the potential friction between the company’s automation plans and its current employees, management doesn’t see a near term conflict as most of its plans involve automation or Cobots, not humanoids.
- **2030 Outlook still in focus:** With most of the Backlog component of its 2030 outlook accounted for with current contracts, the company continues to be confident in its ability to grow in Traditional Products, Aftermarket and Applied Technologies. Cost reductions are under way and Commercial Vehicles are showing signs of recovery which should also help drive some of its progress.
- **Automations are low-hanging fruits**: Dana has baked in $100m in cost savings in its 2030 plan, and it has started the automation process on plants. These are uncomplicated robots that the manufacturing facilities will start to use (was largely under-invested in the past due to EV spendings). Over time, it will also start to use AI and tools to drive productivity.

Dauch (Buy)

We have hosted meetings with **Arianne Ault (Treasury), David Lim (Head of IR) and Joseph Pudlik (IR)**. Investor focus was on the recent news of the impending UAW strike as well as progress on the integration of Dowlais.

- **Plant evaluation:** The company indicated that for now there is no update on potential further saving and synergies vs. the current guidance. It did indicate, however, that the new combined entity will not need the ~170 total plants currently in operation with both legacy entities operating underutilized production facilities.
- **Synergies update:** The company declined to update its performance expectations and given the number of manufacturing locations to be evaluated, no updates are anticipated until 3Q or 4Q. For now, the company has identified many costs which can be eliminated in the short term and the team is actively executing on those initiatives.
- **UAW Strike:** The company didn't want to comment on the on-going negotiations between the UAW and the company at it is Three Rivers Plant. The company did note that plant labor agreements are negotiated on a one by one basis and the next plant negotiation isn't impending.
- **Next Generation T1:** Looking out at the rest of the year, T1 Gen 2 will see its weakest production quarter in 4Q with some potential downtime in 3Q at Silao. That said, overall days of supply is low and GM could look to increase its days of supply which would benefit DCH.
- **Debt paydown is top of mind:** Questions were asked on the recent news that the company had paid down $151m of its private placement debt. Though the nearest tranche isn't until 2029, the company will look to pay down debt progressively throughout the year while also keeping the balance sheet resilient.

Ford (Hold)

We hosted Navin Kumar (Ford Pro CFO), Maria Ricciardone (Chief Investor Relations Officer), and Jessica Podeschi (IR Director) for investor meetings. The focus of the conversation includes F150 ramp, Ford Energy, as well as commodities headwind in the midst of inflationary environment.

- **Overall Pro business**: 2026 has held up so far from a demand standpoint and it has open up model year 2027, with order trends ahead of expectation though it is still early. The segment is going after customers in construction/ residential and it continues to grow software and services revenue.
- **Oakville plant:** The Oakville plant will contribute benefits mainly in 2027. It was previously shut down after the Edge ceased production, and is essentially a new facility with new depreciation benefits. It will produce Super Duty vehicles, offering volume and expansion opportunities. The facility is expected to be fully ramped in 2027, with natural downtime for the transition.
- **Commodities & Warranty Costs:** An additional $1 billion in commodities headwind is anticipated, but the company is actively pursuing strategies like dual-sourcing, hedging, and fixed-price contracts. Ford is also focused on reducing warranty and material costs by $1 billion this year (following a $1.5 billion reduction last year).
- **Ford Energy:** The 5-year agreement with EDF is for up to 4GWh annually (shipping in 2028). There is a minimal shipment threshold but the company has not disclosed what that is. Ford's total capacity target is 20Gwh by end of 2027. There are synergies in training go-to market talent and Ford Energy has sourced personnel from Pro, but in practice, the two segments are selling vastly different products and solutions.

Garrett Motion (Hold)

We have hosted meetings with **Sean Deason (CFO), Craig Balis (CTO) and Cyril Grandjean (VP, Investor Relations and Treasurer).** Investor focus was on the details of the company's Analyst Day which had been presented in the morning during our conference. Management attended following their presentations to meet with investors.

- **Long Term Visibility:** The morning of the conference, Garrett management outlined their outlook from now out through 2035 across Turbos, Zero Emission Technologies and Commercial Vehicle/Industrial Applications. Questions were asked specifically on booked vs. high confidence. Management outlined that it had visibility on about 60% of revenue over the next few years due to bookings.
- **Power generation/Industrial outlook:** $100m power generation sales in 2025 which is expected to grow at LDD% for the next few years, likely peaking closer to 2028 with further growth driven by the ramp of E-Cooling compressors.
- **Segment Transition:** With a 5% CAGR over the next 5-10 years, management outlined its longer term goal to shift away from passenger vehicles with more than 50% of sales expected to come from LCV, CV, Industrial and Aftermarket.
- **Cooling in early stages:** With the recent Trane win in focus, the company also answered questions on its HVAC applications. Over the next ~2 years it will be starting cooling across commercial applications including BESS, Computer Room Air Conditioning (CRAC), Rooftop Units, Comfort Cooling Chillders and Large Chillers.
- **Air Compressors a new market:** The Ingersoll-Rand agreement also indicates the company will take its oil-free centrifugal air compressors and apply it to other end markets. According to the company, its tech has up to 20% lower energy consumption with a $2.0bn TAM by 2035.

Goodyear (Hold)

We have hosted meetings with **Christina Zamarro (CFO) and Ryan Reed (VP, Investor Relations).** Investor focus was generally on volumes, potential cost reductions and raw material impacts to operating income.

- **Plant right-sizing:** With the leaked news that Goodyear would be looking to close its Fayetteville plant, the company acknowledged that part of the next step of cost reductions would be to right size some of its North American manufacturing footprint. Much of the Goodyear Forward cost focus has been on European operations given the SOI losses. With the intentional reductions in NA volumes due to SKU rationalization, company focus is shifting to ensure the footprint is right sized.
- **Pricing:** Overall, the company will remain disciplined its pricing. While the company has taken pricing where possible, as indicated in its earnings call, the overall industry is remaining rationale. While most prices in past have been fully absorbed, industry participants will always balance price increases with any elasticity driven volume declines.
- **2Q Volumes:** While volumes are still expected to decline in 2Q, most of the SKU rationalization comps should be done this quarter. That said, that only accounts for 1/3 of the volume declines, with the other 2/3 driven by channel destocking and pricing competition, respectively.
- **Commercial Vehicle:** Commercial Vehicle production has been a headwind lately, though the company did note that it sells to some of the largest fleet operators, especially with re-treads. While those tires are significantly more expensive than the single use imports, the ability retread and on road performance makes for a compelling value proposition.

Lear (Hold)

We have hosted meetings with **Mike Shanlikian (VP Finance, Corporate Financial Planning & Analysis) and Tim Brumbaugh (VP, Investor Relations).** Investor focused on volumes and the company's ability to pass through commodities to OEMs.

- **2Q thus far:** With April behind, the company commented that May schedules are holding up and it doesn't expect changes to the quarter, with acknowledgment that the macro can also change very quickly as it relates to the Middle East conflict. Lear said it typically has about 12 weeks of customer schedule visibility and particularly for GM and JLR, it relies on internal production schedules, and will complement with data from S&P.
- **T1 content win:** Following the announced wiring content win during the latest earning call, several questions were asked about the T1xx wiring harness content. In the company's view, its rationale for customers more broadly to broaden supplier bases to ensure consistency. This is especially true in China where the company has seen some E-Systems traction with its former head of seating now helming the segment to leverage existing relationships.
- **Volumes/Mix:** While overall LVP from S&P is lower than Lear weighted, mix especially in seating has been positive. That said E-Systems is currently comping the ceased production of the Corsair/Escape program which is weighing on it YoY. On backlog, E-systems is still negative from rolling off EV, and while management has not yet provided an update to its overall backlog, it appears incremental strength should flow through to the Seating side in 2027+. Backlogs should flow on at 10-12% incrementals in the first year, and improving further in subsequent years. This year's backlog is more back-half weighted.
- **Commodity pass through:** With the Middle East conflict questions about commodities were asked. On copper, the company uses an index with customers to pass through and currently has ~$2.0bn of copper exposure. On foam, there are similar index agreements that are trued up quarterly. Overall the company continues to target 100% recoveries. That said if logistics and transportation costs are impacted by energy prices, there will be little ability to pass on those costs.

Mobileye (Buy)

We hosted investor meetings with **Dan Galves, Chief Communication Officer.** Focus of conversation has been on the ADAS base business, and thoughts on advanced product opportunities.

- **Base ADAS volume**: Trends remain strong in 2Q, boosted by strong China exports and upside in Southeast Asia and South America from legacy customers; guidance assumes normalization in 2H (9.0m units per qtr vs. 9.3m in 2Q). The company noted that it will know pretty soon how 3Q will shape up given visibility into the next ~8-10 weeks. Exiting 2025, customers had about 2 weeks in chip inventory (at 700k per week), this rose to 4.5 weeks ending 1Q with customers wanting to hold more now given macro uncertainties, potentially reaching 5.5 weeks. While 1Q was helped by China exports, it's unclear how much of it is driven by pull-ahead shipment given higher tariffs in Brazil starting mid-year.
- **Supervision launch** with Porsche is expected in 1Q27 ($1,300 ASP) and Chauffer with Audi in 2028 ($3,000 ASP).
- **Robotaxi** economics involve $40k upfront purchase plus $0.20/mile and should generate material revenue next year. Roll out anticipated to begin in Los Angeles and Orlando later this year, expanding into 4 other cities in 2027 including Europe (through VW/MOIA). The economics can potentially get re-evaluated if it will benefit the ecosystem to reduce upfront cost and increase the recurring revenue.
- **For advanced consumer autonomy**, legacy automakers seem hesitant to make big commitments. First, there is uncertainty on how much drivers are willing to pay for any type of “eyes-on” still required feature set (as opposed to eyes-off). Second, the advent of gen-AI or embodied AI has created excitement as OEMs think they can incorporate this architecture into their development cycle and control their software stack more tightly going forward. Therefore, legacy automakers will run some lower volume programs to almost “experiment” with new tech (Nissan/Wayve) while using more established solutions on higher volume vehicles
- **On R&D**, call it at roughly $900m annually - more than 50% is headcount related, and is proportionally split between core and advanced products. The company commented that it has sufficient engineering talent to execute on the products. At the same time, there is incentive for management to encourage AI tool usage.

Schaeffler (Hold)

We have hosted meetings with **Christophe Hannequin (CFO), David Kehr (Head of Humanoids) and Heiko Eber (Head of IR).**

Main takeaways are:

- **Current trading**: The company indicated that there has been no significant change in customer behaviour heading into Q2. The call offs remain solid throughout the visibility the company has.
- **Middle east/cost**: The biggest cost impact will be on logistics and freight cost as energy and raw mats are largely hedged. There is also inflation arsing from the supply chain passing on higher cost to upper tiers but the company is confident to pass on most of the headwind to the OEMs. There has been no direct operational impact of the middle east situation during Q1 and year to date.
- **E-Mobility**: The current order book is a revised one that factors in recent write downs and model terminations of OEMs announced recently. The updated order book covers 90% of the target revenues for 2028 already. The haircut on OEM indicated volumes in the order book ranges between 30-40% on average. Main levers to hit break even in 2028 are scale, R&D efficiency/reductions as well as operational efficiencies. 2026 is seeing 31 launches in E-Mobility and the launch activity is continuing into 2027. The clear ambition is to continue to improve earnings post hitting break even and reaching break even is seen only as a milestone towards a more sustainable margin in the long term.
- **Humanoids**: Serial production of orders is starting in Q2 and there are additional SOPs in Q3 and Q4. Launches are across China, Europe and the US. The order book indication of EUR500m was confirmed. Order to sales timelines can vary significantly by customer and range from 6 months to up to 2 years in other cases. Also the contract structure varies between customers and can range from yearly cost down contracts to contracts focussed on securing available capacity. Recently signed partnerships will kick in with SOPs in 2027 and 2028 which should accelerate growth. Sourcing can be pooled with Automotive within Schaeffler which provides a competitive advantage due to group sourcing volumes and scale effects on cost.

Versigent (Hold)

We hosted **Joe Liotine (CEO) and Doug Ostermann (CFO)** for investor meetings. Focus of conversations has been organic growth drivers and early look on non-autos opportunities.

- **2Q and 2H Drivers:** In 1Q, China exports were a significant contributor to revenue and margin, exceeding initial expectations. EMEA region was softer but within expectations. The year has inherent seasonality with 150 major launches not evenly distributed. Productivity gains are expected later in the year, particularly from acceleration in automation during 2H. From 1Q's 9.2% EBITDA margin to 10.7% for the year, the company will need to run ~200bps for the rest of year. A few factors will need to take place to achieve the full year margin target, including China exports, seasonal help, automation acceleration, and a need for copper prices to normalize. In particular, copper resulted in $28m hit in 1Q, and another $28m is expected in 2Q if prices stabilize. 1Q's 23% contribution margin is typical, with Q3 and Q4 being the higher margin periods.
- **China business**: There is no direct rule of thumb for CPV differences between local consumption and export, but it has strong relationships with China exporters, positioning Versigent as a partner for their global expansion. 75% of bookings are with Chinese OEMs, indicating Versigent's alignment with players targeting global markets through both CPV and share gains.
- **Non-Autos opportunities:** 10% of revenue is non-automotive, primarily Commercial Vehicles (CVs) while less than 1% is from newer, non-CV projects. Versigent is positioning itself to bid for these businesses, though 3-year projections do not include them. No great color on CPV differences in non-autos (especially Humanoids) as it's a more immature market. Competition in the newer opportunities is more fragmented but Versigent thinks it can demonstrate global and diversification capabilities. ESS discussions are ongoing; the company launched a program in Q1, with several development programs ongoing. From an engineering and investment standpoint, it's low-intensity and the only change required is the input, with no distinct impact on facilities and manufacturing.
- **Exposure to software-defined vehicles**: SDV is considered agnostic to powertrain type (BEV, Hybrid, ICE). Every BEV has both low voltage and high voltage systems; Hybrids also have both, while ICE primarily uses LV. While Versigent's share of HV might not be numerically higher than LV, the content value for HV is significantly higher (1.7x). Lastly, low voltage will always persist in a car, as there is high content that's sold into BEVs.
- **Capital allocation:** A competitive dividend is expected to receive final approval. As FCF is more weighted towards the second half of the year, management will not be active on buybacks until then 2H. The main focus is return on capital and accelerating organic growth.

Volkswagen (Buy)

We hosted Volkswagen at our Global Autos, Mobility & Robotics Conference and continue to like the investment case. Our conviction is underpinned by management's consistent, step-by-step delivery on strategic promises and the tangible progress in operational and financial restructuring. VW is not only executing on near-term targets but also developing a credible, long-term equity story—something the market has been missing for years. This disciplined approach, combined with clear communication and milestone achievements, gives us confidence in the sustainability of value creation and the potential for further re-rating as the story unfolds.

Financials and Near-Term Outlook:

- The financial impact from the ID.4 discontinuation in the US will be much lower in the FY compared to Q1, mainly from lower depreciation charges.
- We understand the sale of Sinotruk shares in Q1 will have a positive low to mid-tripple EURm impact on the FCF in Q2. Importantly, we believe FCF would also be positive excluding this effect and this is despite the EUR1bn cash out for Rivian in April
- Q2 has started well, mainly driven by Europe and a stable demand in the US. We understand that the company expects the first half's margin to be within the full-year corridor, albeit likely approaching it from the lower end, implying a stronger Q2 margin at our above the range driven by cost inflows and volume
- Current hedging strategies largely mitigate the impact of higher oil prices. However, hedging rates are lower for 2027, indicating that a prolonged conflict could lead to a more significant impact on the company's financials. We believe that Volkswagen typically hedges 80-90% of its exposure each year.

Strategic Initiatives and Efficiency:

- Volkswagen intends to share more details on its 2030 plan this summer. The company emphasized that model momentum and the ongoing cost restructuring program (including headcount reductions and platform optimization) are expected to drive improved performance even before new announcements. Enhanced contributions from premium brands are also anticipated with Audi especially building up model momentum now from the Q7 and Q9 during H2.
- A crucial development is the planned capacity reduction in 2027. The workforce reduction program in VW Germany is progressing ahead of schedule, with 15,000 employees having already left and a monthly run rate of 0.5-1k per month, and 30,000 contracts already signed. This strategic footprint reduction is expected to lead to better utilization, lower capital expenditure, and improved cash conversion. The previous strategy of outgrowing costs is no longer viable, making these efficiency measures critical.

BEV Transition and Market Dynamics:

- The BEV share is expected to reach 18-19% of total volume in 2026, targeting 30-40% in Europe by 2030, and an ambitious 70% in China by 2030

- We understand current BEV demand in Europe is strong despite missing an offering for a crucial part of the market before the Urban BEV family is launched later this year.
- The company noted significant progress towards margin parity between BEVs and ICE vehicles, with contribution margins being "very close now".

Appendix 1

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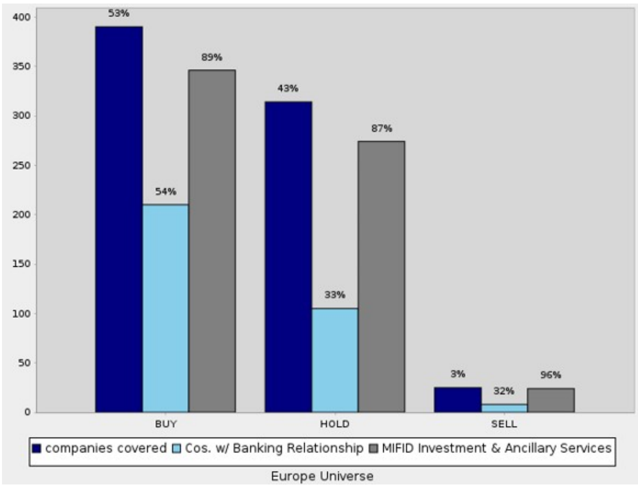
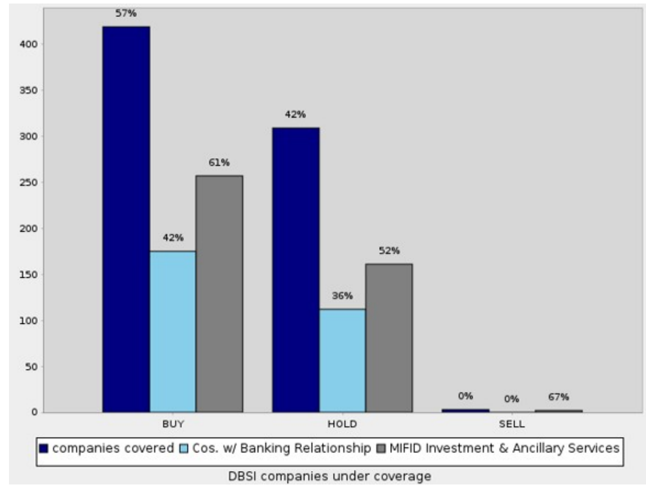
Equity rating dispersion and banking relationships





Equity Rating and Dispersion Key

The Equity Rating Dispersion Chart depicts the following:

The proportion of recommendations that are rated "buy", "sell" and "hold" over the previous 12 months. This is shown for securities issued in the stated region e.g. "Europe Universe". See rating definitions below. This is represented by the "Companies Covered" bars in the chart. The percentage value displayed above the bar is the proportion as a percentage. E.g. 50% above the "buy" / "Companies Covered" bar means that 50% of DB's equity research covered companies over the past 12 months have a "buy" rating.

Next to each of the three respective bars showing the proportion of "buy", "sell" and "hold" recommendations we provide two additional bars to show:

- The proportion of "buy", "sell" or "hold recommendations where Deutsche Bank and or/Affiliates provided MIFID Investment or Ancillary Services in the past 12 months. This is represented in the "MIFID Investment and Ancillary Services" bar. The percentage value displayed above the bar shows the proportion of Companies Covered with the given rating where DB has also provided MIFID Investment and Ancillary Services in the past 12 months. E.g. 50% above the "Cos. w/ MIFID Investment and Ancillary Services" bar means 50% of the Companies Covered with the rating stated have also received MIFID Investment and Ancillary Services from DB.

- The proportion of "buy" (or "sell" or "hold) recommendations where Deutsche Bank and or/Affiliates has provided Investment Banking services in the past 12 months for which it has received compensation. The percentage value displayed above the bar shows the proportion of Companies Covered with the stated rating where DB has also provided Investment Banking services in the past 12 months. E.g. 50% above the "Cos. w/ Investment Banking relationship" bar means 50% of the Companies Covered with the rating stated also have an Investment Banking Relationship with DB.

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Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

TSR = Total Shareholder Return. Percentage change in share price from current price to projected target price plus projected dividend yield

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