



Building a better  
working world

# Mobility Quarterly

Analyst themes from  
earnings calls

December 2020

“Never let a downturn go to waste” – is the mantra adopted by mobility companies as they remain focused on strengthening their core fundamentals. Companies are ramping up production to meet demand, reducing operational costs, increasing localization, driving efficiency across business areas and maintaining a stricter cash conversion cycle. Agility is driving the core decision-making as peers look to mitigate short-term cost adjustments to long-term, weave in a resilient supply chain and reshuffle capital allocation to high-margin businesses. As several markets are showing signs of revival, mobility leaders are exhibiting confidence with robust investment and launch plans, and are geared up to jump into action when the time arises.

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Will mobility companies emerge leaner and stronger or too weak to survive post-COVID-19 crisis?

Welcome to the Mobility Quarterly, a review of the top 10 themes discussed by leaders of 33 mobility sector companies, including passenger vehicle (PV), commercial vehicle (CV), airlines, logistics, shipping, automotive suppliers and retailers, during public earnings calls with analysts during October and November 2020. This update tracks the movement of these themes from quarter to quarter to provide a perspective on shifts in the sector landscape.

Themes that stood out include the following:

- ▶ **Business reorganizing/restructuring:** moved up to No. 1 on the list. Strict cost control and progressive execution of restructuring activities resulted in a noticeable reduction of costs for most peers. Companies are restructuring core processes to suit digitalization initiatives and leveraging digital to drive cost reductions and increase efficiency for long-term success.
- ▶ **Competitive positioning:** Debuting at No. 2. Mobility peers are planning to enhance their competitive advantage in a recovering market as they strengthen their product mix going forward and improving accessibility to customers with an extensive mix for both used and new vehicles. Companies are increasing prices to drive margins in the high-growth vehicle segment.
- ▶ **Change in financial outlook:** Debuting at No. 3. Despite gradual recovery in major markets across the globe with more relaxed regulations and economic activity restarting, automotive peers are expecting lower sales in 2020 compared with the previous year. However, the recent growth in demand has caused an upward revision in sales forecasts.

Randy Miller

EY Global Advanced Manufacturing & Mobility Leader

## Top 10 themes from quarterly earnings calls

3Q20			2Q20	
↑	1.	Business reorganizing/restructuring	1.	Operating costs
New	2.	Competitive positioning	2.	Geographic developments
New	3.	Change in financial outlook	3.	Financial initiatives
↑	4.	Developments in end markets	4.	Product and service innovation
New	5.	Focus on sustainability	5.	Working capital and cash flow management
↓	6.	Working capital and cash flow management	6.	Evolution of mobility
New	7.	Product design	7.	Customer connectivity
New	8.	Change in production rates	8.	Developments in end markets
New	9.	Financial/capital strategy	9.	Inorganic growth (M&A, joint ventures/partnerships)
↓	10.	Customer connectivity	10.	Business reorganizing/restructuring

### Key themes



#### 1 Business reorganizing/restructuring

Cost reduction programs, streamlining company structure and managing R&D investments

- Several peers are reporting performance improvement on the back of diligent cost discipline and cash preservation aided by trimming discretionary expenses, optimizing R&D and personnel restructuring.
- Dealerships are reporting a decline in floor plan expenses due to lower interest rates and lower average floor plan balances.
- Logistics peers are focusing on better network utilization and optimizing portfolio mix with a higher share of B2B customers while continuing strong cost control.
- Airlines are simplifying fleets by retiring less efficient aircraft and focusing on achieving a higher-gauge fleet with lower seat cost and a better customer experience.



Boards must focus on long-term value, culture and talent to drive organizational transformation in a post-COVID-19 world.

**Sharon Sutherland, EY Global Center for Board Matters Leader**

New

#### 2 Competitive positioning

New product or service launch, pricing strategy and speed to market

- Automakers are aiming to enhance their positioning in the reviving market, setting up a strong product pipeline covering electric mobility, digital features and the SUV segment; a PV dominated peer announced its full lineup of commercial electric vehicles.
- Pricing remains key to product strategy as companies aim to drive margins in high-growth vehicle segments; select PV peers are increasing prices to compensate for currency devaluation in emerging markets.
- Dealerships are building used vehicle inventory by actively purchasing from individual buyers, as the new vehicle inventory is running low while demand has started to recover.
- Suppliers are strengthening connected solutions and intelligent component portfolio by acquiring software players, thereby also increasing capabilities for end-to-end fleet management solutions.



Unprecedented advancements in technology are driving 10x capability in manufacturing and supply chain. How transportation sector players respond will define the winners and losers in the coming decade.

**Kevin Custis, EY Global Transportation Industry Leader**

New

## 3 Change in financial outlook

Projected revenues, margins and overall demand outlook

- Demand has been gradually recovering in major markets such as the US, Europe and India, with easing of regulations and reopening of economic activity; China witnessed a much speedier recovery in comparison with all the other regions.
- Most automotive peers are expecting lower sales in 2020 compared with the previous year but are revising their forecast upward considering the recent growth in demand.

- CV players remain divided in providing their outlook; while some updated forecasts to increase targeted performance metrics, others skipped their outlook update for this quarter.
- Airlines are witnessing a demand revival, which is likely to improve sequentially in the fourth quarter. However, demand is expected to plateau at about 50% until an effective COVID-19 vaccine is widely distributed.



## 4 Developments in end markets

Trends in key customer segments impacting demand for products and services

- The automotive sector is witnessing a significant shift toward personal mobility, resulting in an increase for both used and new cars.
- Europe and China NCAP standards and OEMs' adoption of advanced safety solutions are driving demand for safety suppliers; level 2 and 2+ advanced driver-assistance systems (ADAS) solutions are expected to witness the next big wave of market penetration.

- Logistics and shipping companies are witnessing an unprecedented increase in e-commerce activity across sectors, also strengthening the supply chain to support the pharma and health care sectors.
- Airlines are focusing on connecting customers through core hubs and operating more cargo flights.

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The global pandemic shocked businesses in the short term. It's also increased the transformation of operating models in a permanent shift.

**Kate Barton, EY Global Vice Chair – Tax**

New

## 5 Focus on sustainability

Sustainable product and operations, strengthening compliance and external communication

- Stringent CO2 emission targets are driving companies to focus on sustainability.
- OEMs are setting targets to reduce carbon footprint across products, manufacturing and organization; a few are launching

a green recovery plan aimed at zero net emissions.

- Several peers are also evaluating renewable energy adoption along with electric vehicle (EV) development.



## 6 Working capital and cash flow management

Inventory, working capital and cash flow optimization

- Automotive peers are demonstrating discipline in working capital management while holding incremental inventory to protect from risks of liquidity crunch and supplier disruption.
- PV OEMs are collaborating with retailers to control inventory levels by managing stock levels of new and used cars as well as focusing on residual value stabilization.

- Airline peers are experimenting with a zero-budgeting approach for expense planning and restructuring their order book to reduce aircraft purchase commitments for the next few months.

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We have reached critical inflection points in many colliding physical, biological and digital technologies. Being digital involves exploiting multiple technologies throughout the value chain.

**Kate Barton, EY Global Vice Chair – Tax**

New

## 7 Product design

Digital technology and innovations in products and services

- OEMs are resuming their capital expenditure plans for electrification, autonomous mobility and digitalization.
- Select CV peers are advancing technologies to run equipment on alternate fuels such as blended fuels and have announced the launch of trucks running on 100% hydrogen fuel.

- Automotive peers are aiming to expand their service portfolios, standing up digital platforms to offer an extended range of connected solutions across vehicle segments.
- Dealers are expanding their online presence with exclusive e-commerce platforms.

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In the face of the disruption caused by COVID-19, agile, networked ecosystems are the key to supply chain resilience.

**Glenn Steinberg, EY Global and EY Americas Supply Chain Leader**

New

## 8 Change in production rates

Production at specific facilities, repurposing assets, forecasted changes to production rates

- Automaker production rates have improved on the back of demand revival – originating from China and now moving to the US and Europe.
- Automotive peers are reorganizing capacity and supply chain resilience in preparation for the second wave of the pandemic.

- Automakers are adopting platform consolidation to reduce vehicle complexity for internal combustion engine (ICE) vehicles, as well as EVs.
- Logistics peers are expanding services to provide deliveries all days of the week.

New

## 9 Financial/capital strategy

Financing for R&D, capex investments, dividend payout and debt reduction

- Automotive peers are utilizing credit facilities, increasing credit provisions such as issuing new notes and commercial paper for stronger financial flexibility.
- Select supplier peers repaid senior notes and amounts

- outstanding, leveraging strong cash flows.
- Automotive retailers are using their cash to deleverage themselves and are suspending share buybacks, delaying unessential capex and dividends.



## 10 Customer connectivity

Access to the customer, customer experience, managing channels and dealer network

- The customer experience is automakers' top priority; companies are aiming to converge the online and physical car buying experiences.
- Dealerships are relying on digital platforms to reduce costs and

- improve customer experiences and salesforce efficiency.
- Airlines have started new travel programs by eliminating change fees, adding industry-first digital capabilities to allow standby options at no charge.

## Companies included in the analysis

The identification of the top 10 themes are based solely on an examination of earnings calls held during October and November 2020.

- AB Volvo
- American Airlines Group Inc.
- Aptiv PLC
- Asbury Automotive Group, Inc.
- AutoNation, Inc.
- BMW AG
- Caterpillar Inc.
- Daimler AG
- Delta Air Lines, Inc.
- Deutsche Post AG
- FedEx Corporation
- Fiat Chrysler Automobiles N.V
- Ford Motor Company
- General Motors Company
- The Goodyear Tire & Rubber Company
- Group 1 Automotive, Inc.
- Honda Motor Co., Ltd.
- Inchcape plc
- Komatsu Ltd.
- Kuehne + Nagel International AG
- Lear Corporation

- Magna International Inc.
- The Michelin Group
- Peugeot SA
- Qantas Airways Limited
- Renault SA
- Tata Motors Limited
- Tesla, Inc
- Toyota Motor Corporation
- United Airlines Holdings, Inc.
- United Parcel Service, Inc.
- Volkswagen AG
- XPO Logistics, Inc.

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