

Johannes Messer – Consulting GmbH



Shaping the future

“Where is the journey taking us?”

June 2020

Introduction

With the onset of the global corona crisis, the critical situation of the foundries has been exacerbated. The crisis arose in the crisis. In contrast to similar situations in the past, it cannot be assumed this time that the crisis will start to boom as it did after the 94/95 or 08/09 crises. Classic crisis levers alone will not be enough this time. New ways must be found and described.

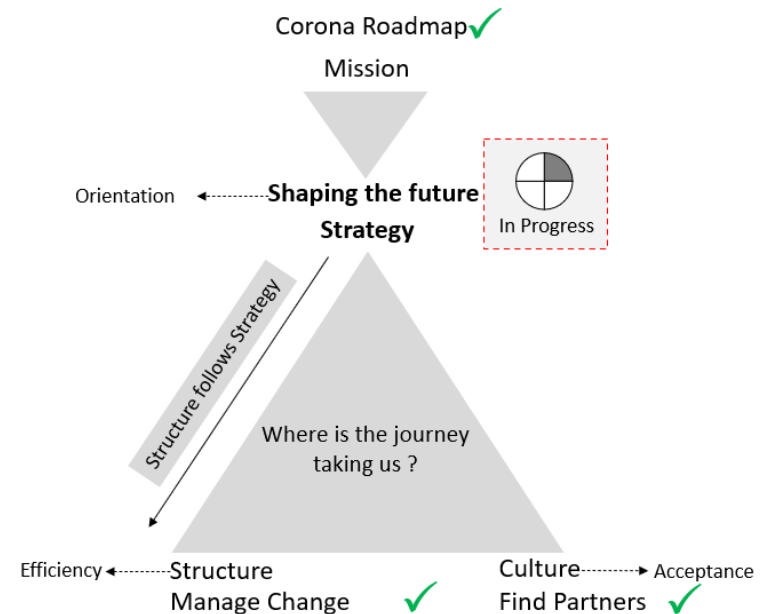
In the context of the multi-dimensional challenges, levers for coping with the crisis were developed and described specifically for foundries by JMC.

- **Corona Roadmap** https://www.johannes-messer-consulting.de/pdf/Corona_Roadmap.pdf
- **Find Partners** https://www.johannes-messer-consulting.de/pdf/find_partners_foundry_tool_maker.pdf
- **Manage Change** https://www.johannes-messer-consulting.de/pdf/manage_change.pdf

The topic of **strategy** is treated as another and most important lever. The transformation in the automotive industry, the current industrial environment and the economic effects of the Corona crisis have changed essential elements of the corporate strategy. The initial situation, the market, internal and external drivers and the success factors must re-evaluated.




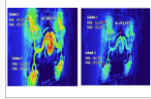


Only if we succeed in getting **all stakeholders** (shareholders, employees, banks, customers, employee representatives, suppliers, ...) on board with the right **corporate strategy** can the opportunities be exploited, and the risks minimized.

The **corporate strategy** is the lever for success.



Challenges lead to changes

The existing challenges lead to changes with high relevance for the **corporate strategy** of the foundries.

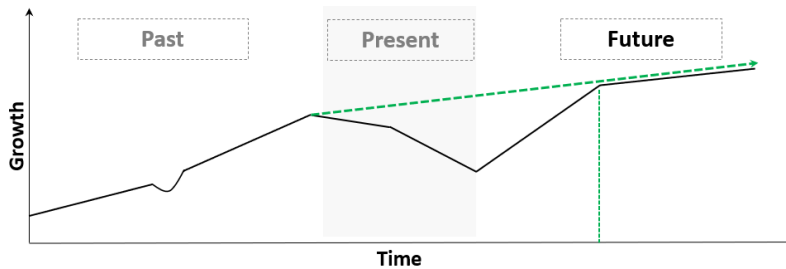
	Expectations				Hypotheses
	 <p>Regions</p> <ul style="list-style-type: none"> ➤ China ➤ Mexico ➤ India 	 <p>Company</p> <ul style="list-style-type: none"> ➤ Foundries > € 500 million ➤ Partnerships + joint venture ➤ Internationality ➤ 	 <p>Customers / Products</p> <ul style="list-style-type: none"> ➤ Chassis and structural parts ➤ E - Mobility parts ➤ New customers (Tesla, BAIC, BYD, ...) ➤ ... 	 <p>Technology</p> <ul style="list-style-type: none"> ➤ Locking force > 3,500 tons ➤ Rheocasting ➤ Productivity technologies (MQL, Tool cooling, ..) ➤ Foundry 4.0 ➤ 	 <p>Market (Sales, Economy)</p>
<p>Importance</p> <p>+</p> <p>—</p>	<ul style="list-style-type: none"> ➤ Europe (stable) ➤ USA ➤ Japan 	<ul style="list-style-type: none"> ➤ Foundries <€ 30 million ➤ Local foundries (only one region) ➤ Investments (short term) ➤ 	<ul style="list-style-type: none"> ➤ Powertrain ➤ Small series (in the future additive manufacturing) ➤ 	<ul style="list-style-type: none"> ➤ Small + medium locking force ranges ➤ 	 <p>Corona ! Economy ?</p>

Market (Sales, Economy) → Hypotheses

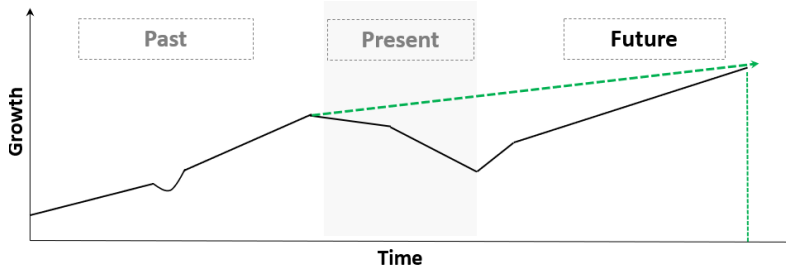
The assessment of the **market** (sales, economy) as a dimension with the **highest relevance** to the corporate strategy currently poses great challenges for all experts. The sum of the unknowns is currently too large to make generally valid, reliable assessments. As a result, the foundries must create the much-needed strategy based on their own hypotheses. Best, realistic and worst - case hypotheses should be assumed as scenarios.

Sales

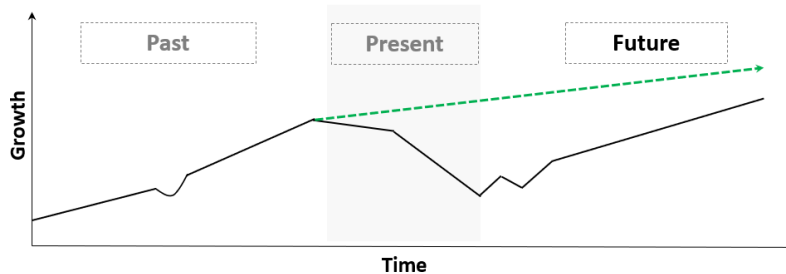
Best Case



Realistic Case



Worst Case




Hypotheses

- The corona crisis has ended in what are currently the most economically important markets for us (China, USA, Europe).
- State stimulus programs are being expanded to include additional incentives for the automotive industry.
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- China continues to run at the good level in April and May and has a positive impact on the other markets.
- The state stimulus programs are having an effect.
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- A second large corona wave occurs.
- Trade conflicts continue to increase.
- Brexit without a contract.
- Greater government pressure on transformation in the automotive industry.
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Key issues and priorities

Detected changes and hypotheses are to be assessed in terms of their influence on the main strategy areas. From this, the individual key issues for the respective company must be worked out and given priorities.

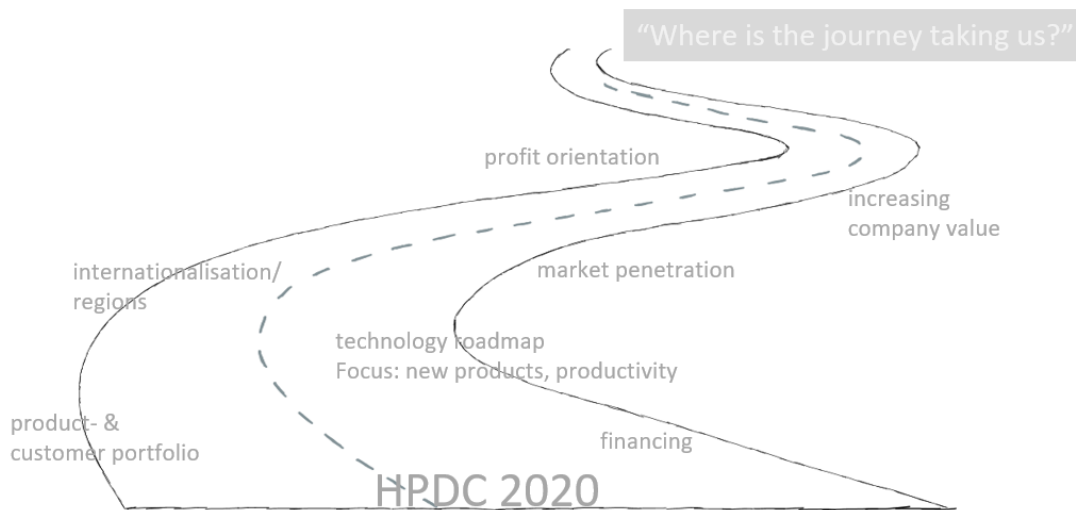
Realistic Case

Strategy fields	Current key issues (Examples)	Current priority				
		Low				High
Financing	• Secure liquidity					x
Business processes	• Breakeven reduce					x
Society	• Assume responsibility	x				
Internationalization	• Low cost location			x	x -> Higher priority in the event of short-term opportunities	
Employees	• Convert fixed costs into variable		x			
Partnerships	• Founder/ Tool maker					x
Production processes	• CIP as an EBITDA lever					x
Product portfolio	• Chassis and structural parts					x
Technology	• Rheocasting				x	
Environment	• CO2-neutral foundry				x	

Assessment JMC; Assumption: Ø German foundry

Take immediate measures

The **opportunities** and **risks** identified in the strategy process often do not allow any postponement of action. In parallel to the creation of the corporate strategy, work should therefore already be carried out on the implementation of necessary measures that are recognized early on.



..... short-term **to do's**

- **Want change**
 - implement CIP as an EBITDA lever.
 - Align operational and organisational structure accordingly
 - Start implementation

- **Finding partners**
 - Understanding cooperation as the key to success.
 - Align corporate culture accordingly.

- **Secure financing**
 - secure liquidity in the long term.
 - Set up early warning instruments.

- **Master technology**
 - focusing technology roadmap (new products, productivity)

Corporate strategy as a lever for success

The need for a corporate strategy is still questioned in many companies. Often there is a "corporate strategy" that only exists in the mind of management. If you consider the scope of the challenges that the foundries are currently facing, this deficit must be corrected urgently.

In the future, only companies that have implemented a structure and process organization (**structure**) will be successful to identify opportunities and risks at an early stage, convert them into necessary measures and implement them consistently (**culture**). The maximum successful implementation of the measures will only be possible in cooperation with all stakeholders. A **corporate strategy** is required to ensure this in the short and long term.

The topic:

Shaping the future: "Where is the journey taking us?"

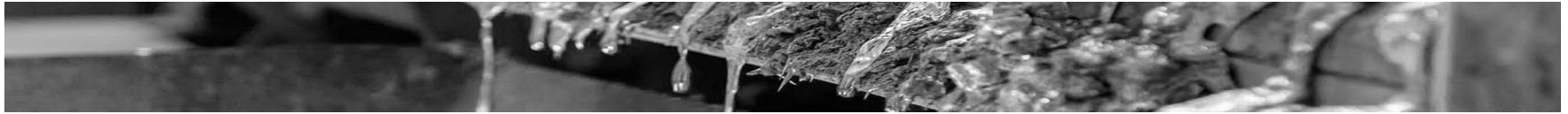
We would be happy to show you how we estimate and evaluate the development. We develop an individual **corporate strategy** together with you and your management. We support you the implementation.

Corona Roadmap
Find Partners
Manage Change

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... we help you.



“ It's not said that it gets better when things get different.
But if it should get better, it must be different ”.

Georg Christoph Lichtenberg



STRATEGY DEVELOPMENT



MANAGEMENT CONSULTING
INTERIM MANAGEMENT



NETWORKING



COMPANY ANALYSIS