



# Mobility Quarterly

Analyst themes from  
earnings calls

September 2021

**EY**  
Building a better  
working world

The global economy is witnessing robust growth across the mobility end consumer segments. While the industry is expected to return to normalcy during 2021, the Delta COVID-19 variant may complicate the recovery, particularly in economies where vaccination rates are subdued. Automotive sales could also be impacted by inventory concerns as production shutdowns caused by material shortages continue to be a top threat for the industry. In the prevalent scenario of rising sources of disruption, the complexity and fragmentation of the automotive supply chain indicates it may be becoming archaic, reflecting the increasing need for the supply chain to be agile, flexible, resilient and digitally networked, to not only succeed but to even maintain business continuity.

Follow us on Twitter  
[@EY\\_Automotive](https://twitter.com/EY_Automotive)

## Mobility companies need to tread with caution as they shift gears for faster acceleration

Welcome to the Mobility Quarterly, a review of the top market forces and company responses discussed by leaders of 42 mobility sector companies, including passenger vehicle (PV), commercial vehicle (CV), automotive suppliers, retailers, airlines, logistics, shipping and railways during public earnings calls with analysts between July and August 2021. This update tracks the movement of these themes from quarter to quarter to provide a perspective on shifts in the sector landscape.

### Market forces and company responses that stood out include the following:

- ▶ **Demand patterns is the top market force for this quarter.** The global automotive sector is recovering on the back of demand resumption across regions, while the transportation sector is benefiting from the domino impact of recovery across end consumer sectors. The US is witnessing record growth, despite a high pricing environment amid low vehicle inventories. Europe is witnessing improvement in outlook, despite of a drag in the first quarter. For Asia-Pacific, consumer demand remains robust and expected to achieve pre-COVID-19 levels by the end of the year.
- ▶ **Competitive positioning is the top company response for this quarter.** Most mobility peers are maintaining robust pricing strategy on the back of recovery across end consumer segments. Logistics peers are expanding coverage and product portfolio to capitalize on rising e-commerce demand. Automotive peers are driving innovation, with a commitment for decarbonization and sustainability adoption across the value chain. Also advancing investments for IoT, data analytics and AI-based solution to offer fleet management services.

Randy Miller

EY Global Advanced Manufacturing & Mobility Leader

## Top five market forces

2Q21		
↔	1.	Demand patterns
↔	2.	Consumption behavior
↔	3.	Value chain breakdown
↑	4.	Operating costs
New	5.	Investors

1Q21	
1.	Demand patterns
2.	Consumption behavior
3.	Value chain breakdown
4.	Sustainability initiatives
5.	Operating costs

### 1 ↔ Demand patterns

Trends in key customer segments and regional demand for products and services

- ▶ Consumer demand is ramping up across geographies on the back of pent-up demand. However, supply chain constraints are causing order backlogs and inventory challenges.
- ▶ Increased activity in end-markets such as transportation, construction, mining and oil and gas is driving demand for CVs, their aftermarket parts, services and used vehicles.
- ▶ Airlines are witnessing strong demand for leisure travel while the e-commerce boom fueled by the pandemic has accelerated the growth of cargo business, making it an essential business segment.
- ▶ Logistics, shipping and rail companies are working toward meeting demand as the economic recovery is having a domino effect across end consumer sectors. Peers are expanding product portfolios and hiring more employees in a labor and supply constraint environment.

### 3 ↔ Value chain breakdown

Supply chain constraints and supplier failure disrupting production schedule

- ▶ The automotive industry is reeling under the impact of supply chain constraints. Demand upsurge coupled with raw material shortages such as semiconductors, petrochemicals and port delays led to disruption in production schedules.
- ▶ OEMs and governments are localizing EV battery cell manufacturing and sourcing of raw materials, integrating vertically to mitigate supply chain shocks and pursuing climate policies and sustainability goals.
- ▶ Automakers are adopting multi-tier supply chain, disciplined product mix and inventory management to manage the ongoing disruptions.

### 2 ↔ Consumption behavior

Disruption in consumption patterns, attitude toward green products and digital technology adoption

- ▶ Consumer behavior toward green products is improving at a faster pace than anticipated as witnessed by the strong sales growth of electrified vehicles, parts and solutions. This is extraordinary in the context of global pandemic and passenger car sales decline in 2020.
- ▶ The pandemic has altered customer behavior toward digitalization; most mobility peers are focusing on providing a seamless experience throughout the product life cycle. While automotive companies are strengthening digital tools to enable vehicle and parts sales online, transportation peers are launching smart network platforms for a frictionless consumer experience.
- ▶ Airlines are witnessing a shift in demand to getaway destinations and cities with a lower cost of living; they are announcing coverage of newer markets, reflecting the shift in demand landscape.
- ▶ Accelerated growth in online shopping, e-commerce and flourishing US domestic parcel market has led logistics companies to benefit from increased shipping volume.



The pandemic has shifted at least some of the ways in which we live, work and travel. Sales of cars, especially electric cars, are expected to rise, with environmental concerns topping the list as the biggest influence on electric vehicle buyers.

Martin Cardel, EY Global Mobility Solutions Leader



The global automotive industry is projected to lose billions of dollars due to a shortage of semiconductor chips. To be better prepared for disruption, manufacturers could have diversified supply chains, identified choke points and moved away from just-in-time sourcing strategies.

Anil Valsan, EY Global Automotive & Transportation Lead Analyst

## 4 Operating cost

Gains or losses related to operating costs, including raw materials, currency, energy and talent




- ▶ Higher variable costs fueled by raw material shortages and unfavorable foreign exchange is impacting cash flows at a time when OEMs are already struggling to cut costs.
- ▶ Automotive companies are also facing headwinds due to incremental employee cost and technology costs from new product or program launches.
- ▶ Shipping and railways are witnessing a rise in labor cost and expense in remote technology. Higher fuel prices are overshadowing fuel efficiencies from various initiatives.

## 5 Investors

Investor expectations of improved financial performance

- ▶ Several auto peers are reporting strong cash flows aided by revenue growth, leveraging cash inflows for capex investments and debt reduction.
- ▶ Airlines are witnessing lower net cash burn due to effective cost controls, increase in capacity and a moderate increase in revenues. To further improve margins, airlines are accelerating fleet rationalization and moving toward fuel efficient narrow-body aircrafts.
- ▶ Aided by strong cash flows, logistics peers are increasing capital expenditure on automation, while debt reduction and optimal capital allocation remain two of their top priorities.

### Top five company responses

2Q21		
	1.	Competitive positioning
	2.	Product design and innovation
	3.	Customer acquisition and connectivity
	4.	Business restructuring
	5.	Change in financial outlook

1Q21	
1.	Change in financial outlook
2.	Product design and innovation
3.	Business restructuring
4.	Customer acquisition and connectivity
5.	Competitive positioning

## 1 Competitive positioning

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

- ▶ OEMs are expanding their geographical footprint, targeting customers in green powertrain segments with advanced connected features. They are also maintaining robust pricing strategy as vehicles sales have been hit due to low inventory levels.
- ▶ Suppliers are launching solutions for fleet management, infotainment and electrification; they are expecting higher growth from vehicle architectures, maintenance services and sustainability solutions.
- ▶ Logistics peers are expanding coverage and product portfolio to capitalize on high e-commerce demand. They are leveraging differential pricing strategy amid capacity constraints.
- ▶ Airlines are building on the success of the cargo flights, as it is now an important part of their recovery, revenue diversification and long-term growth.

## 2 Product design and innovation

Expanding and transforming offerings through focused investments

- ▶ The automotive industry is experiencing an urgency to shift toward alternative fuel vehicles in response to the decarbonization and sustainability agenda. PV peers are making headway in battery technology as Europe emerges as a locus for battery manufacturing.
- ▶ Auto suppliers are developing smart architectures for ADAS solutions and offerings to enhance the user experience, as well as developing electrical architectures for EVs.
- ▶ Transportation and logistics companies are implementing technology to reduce direct operating cost and improve service consistency.



“

Opportunity lies in satisfying the increasing demand for electric-powered vehicles. Due to falling demand and further government regulation, sales of combustion engine-driven vehicles will never return to pre-COVID-19 levels.

Charlie Simpson, Partner and UK Future Mobility Lead, Ernst & Young LLP, EY-Parthenon

## 3 Customer acquisition and connectivity

New orders, customization, distribution management and omnichannel experience

- ▶ OEMs are managing distribution channels to maintain an undisrupted supply of vehicles amid unexpected demand upsurge.
- ▶ Digitalization of the product life cycle from purchase to aftermarket remains high on the agenda for automakers as consumers are increasingly adopting digital technology. Auto retailers are focusing on executing omnichannel strategy to deliver a seamless customer experience.
- ▶ Airlines are receiving upsurge in bookings with the easing off pandemic restrictions; dynamically adjusting capacity to operate at more capacity in the second half of the year.

## 5 Change in financial outlook

Projected revenues, margins and overall demand outlook

- ▶ Most mobility peers are raising guidance for the full year, aided by demand recovery, a stronger pricing environment and cost reduction initiatives. However, they remain cautious of the Delta variant and its impact on the supply chain.
- ▶ On the back of continued strong demand in end-markets, a steep increase in less-than-truckload (LTL) volume demand and growing e-commerce business, most transportation and logistics companies have increased their outlook for the full year.
- ▶ As vehicle demand recovers, retailers improving per-vehicle margin through aggressive pricing strategy; also expanding F&I and aftermarket offerings for incremental opportunities.

## 4 Business restructuring

Transforming company structures to meet strategic goals and market demands

- ▶ OEMs are maintaining a tight grip on cost structures while they reorganize organization structure, streamline supply chains and optimize product mix for a sustainable improvement in margins.
- ▶ Logistics peers are improving network utilization by reducing costs and last-mile inefficiencies in residential deliveries, optimizing portfolio mix with a higher share of B2B customers and divesting non-core divisions.
- ▶ At the onset of the pandemic, most airlines raised significant liquidity through debt and equity financing agreements with governments; they are now planning to retire debt starting in 2022, aided by cash inflow recovery.
- ▶ Railway companies are looking to adopt and implement precision scheduled railroading (PSR) to improve service levels, reliability and productivity.

## Companies included in the analysis

The identification of the top 10 themes is based on an examination of earnings calls held during July and August 2021.

- |                                 |                            |                                   |                                      |
|---------------------------------|----------------------------|-----------------------------------|--------------------------------------|
| ▶ A.P. Møller-Mærsk A/S         | ▶ Caterpillar Inc.         | ▶ Komatsu Ltd.                    | ▶ Sonic Automotive, Inc              |
| ▶ AB Volvo                      | ▶ CH Robinson              | ▶ Kuehne + Nagel International AG | ▶ Stellantis                         |
| ▶ Air Canada                    | ▶ Continental AG           | ▶ Lear Corporation                | ▶ Tenneco                            |
| ▶ Alaska Air Group              | ▶ Daimler AG               | ▶ Lithia Motors, Inc              | ▶ Tesla, Inc                         |
| ▶ Allegiant Travel              | ▶ Delta Air Lines, Inc.    | ▶ Magna International Inc.        | ▶ The Goodyear Tire & Rubber Company |
| ▶ American Airlines Group Inc.  | ▶ Deutsche Post AG         | ▶ Michelin SCA                    | ▶ United Airlines Holdings, Inc.     |
| ▶ Aptiv PLC                     | ▶ FedEx Corporation        | ▶ Nissan Motor Co., Ltd.          | ▶ United Parcel Service, Inc.        |
| ▶ Asbury Automotive Group, Inc. | ▶ Ford Motor Company       | ▶ Norfolk Southern                | ▶ Volkswagen AG                      |
| ▶ AutoNation, Inc.              | ▶ General Motors Company   | ▶ Paccar                          | ▶ XPO Logistics, Inc                 |
| ▶ Bridgestone Corporation       | ▶ Group 1 Automotive, Inc. | ▶ Penske Automotive Group, Inc.   |                                      |
| ▶ Canadian National             | ▶ Honda Motor Co., Ltd.    | ▶ Ryder System Inc.               |                                      |

## EY contacts



**Randy Miller**  
EY Global Advanced Manufacturing & Mobility Industry Leader  
+1 313 628 8642  
randall.miller@ey.com



**Kris Ringland**  
EY Global Advanced Manufacturing & Mobility Strategy and Transactions Leader  
+46 8 52059278  
kristin.ringland@se.ey.com



**Kevin Custis**  
EY Global Transportation Industry Leader  
+1 404 817 4747  
kevin.custis@ey.com



**Martin Cardell**  
EY Global Mobility Solutions Leader  
+46 31 637733  
martin.cardell@se.ey.com

### EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

© 2021 EYGM Limited.  
All Rights Reserved.

EYG no. 007468-21Gbl  
BMC Agency GA 17394372  
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

[ey.com/automotive](https://ey.com/automotive)