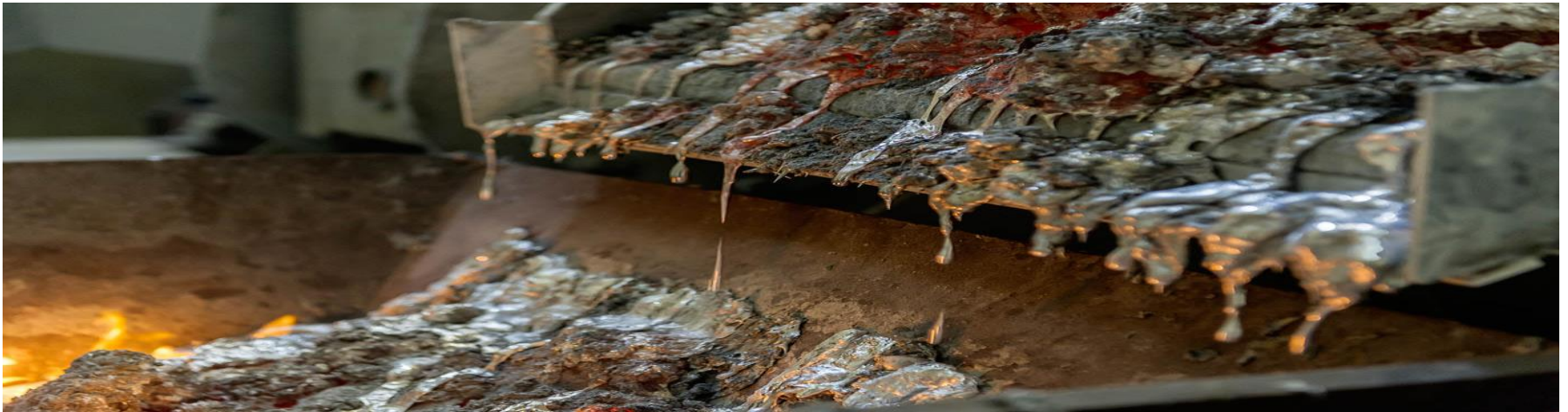
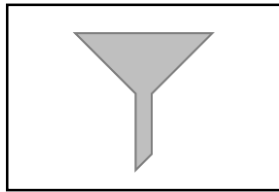
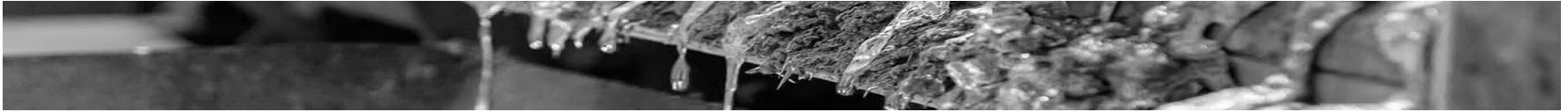


Johannes Messer – Consulting GmbH



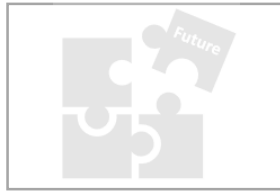
Optimistic, Realistic

Stormy times in the foundry industry



A

Summary



B

Current Situation



C

Manage the Process
- Short term
- Long term



D

Correcting Lever
(Short term)

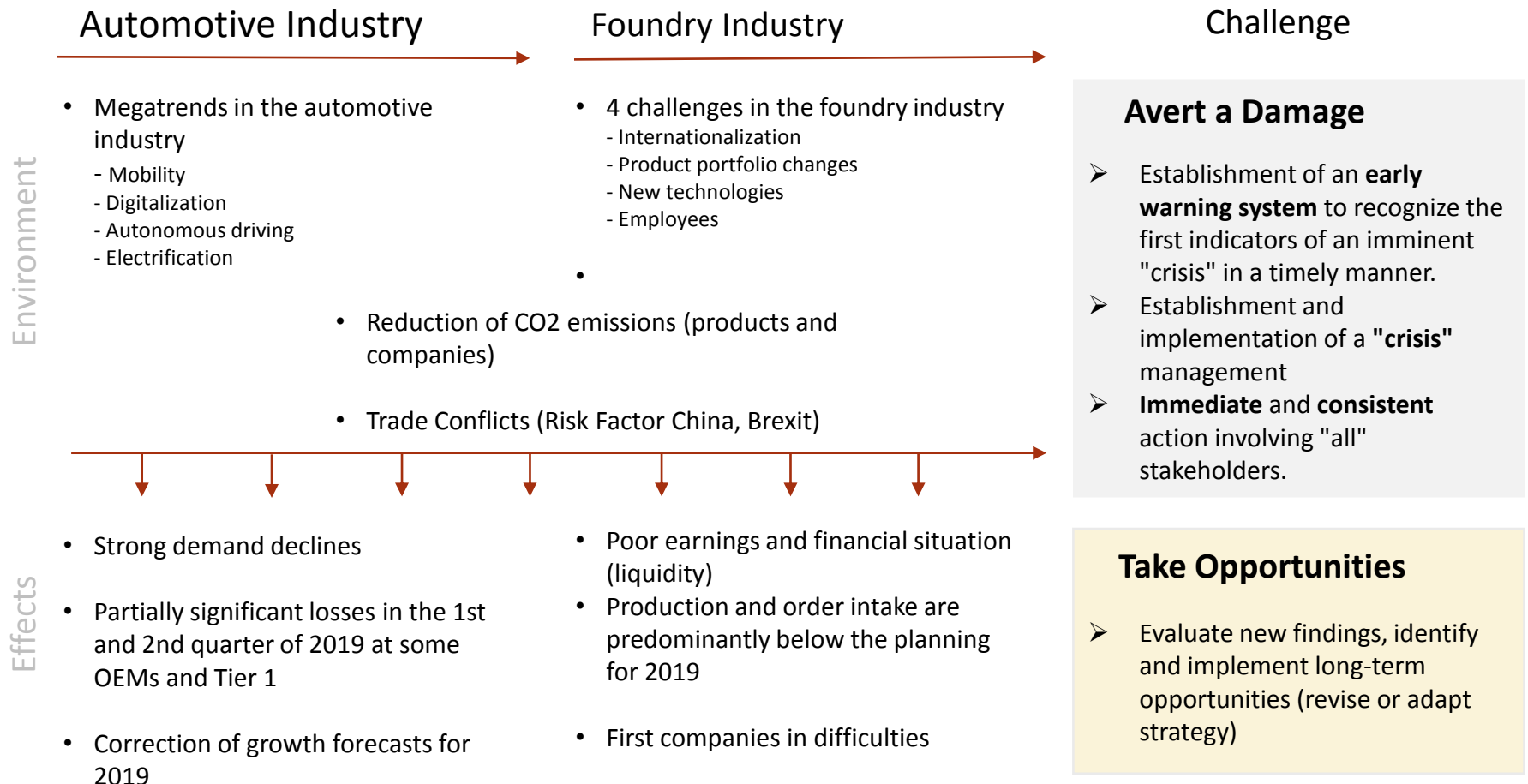


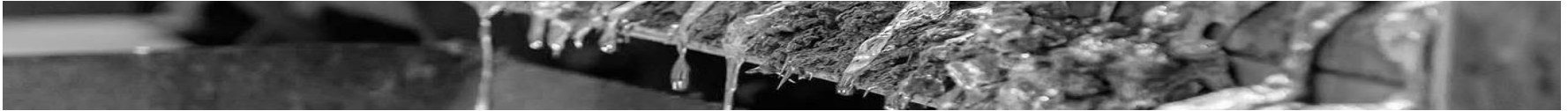
E

Take Opportunities
(Long term)

Summary

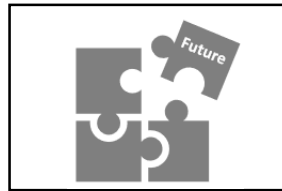
The automotive and supplier industry is currently in a very stormy time. Partially, signs of a possible "**crisis**" can be seen. Companies should recognize the first indicators should act **promptly** and **consistently**. In the short term, **damage** can be **turned away** from the company and **opportunities** can be **exploited** in the long term.





A

Summary



B

Current
Situation



C

Manage the
Process
- Short term
- Long term



D

Correcting
Lever
(Short term)

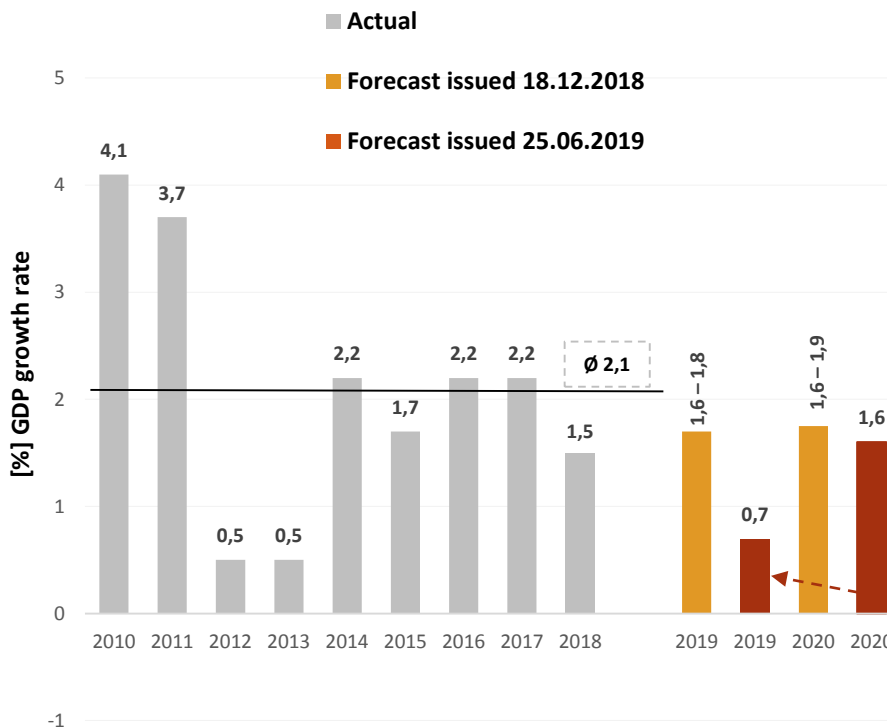


E

Take
Opportunities
(Long term)

Current Situation – Overall Economy

Over the last few months, the forecasts for the German **gross domestic product** 2019 have been repeatedly **revised downwards** by various sources. If one averages the current forecasts, the expected growth for 2019 is only 0.7%, which is significantly lower than in 2018 and the average of recent years.



Source : Actual - Statistisches Bundesamt, Forecast – Various Economic Research Institutes

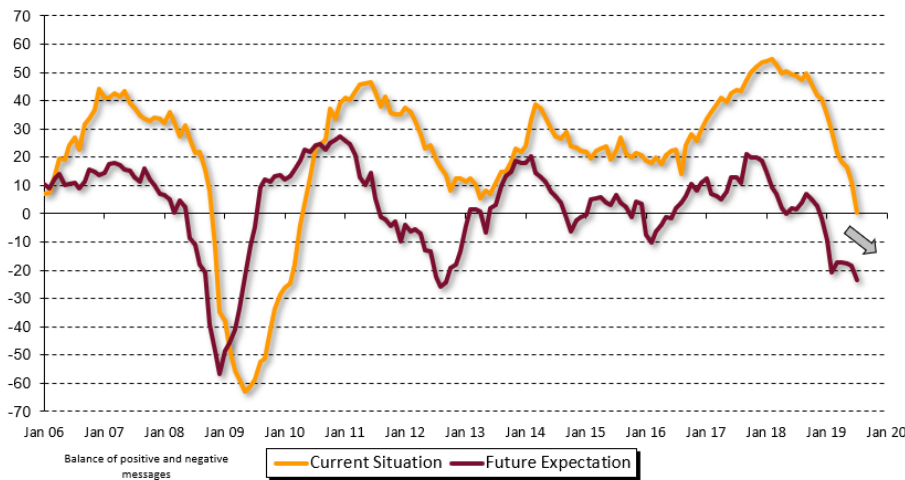
Forecasts on the development of the German gross domestic product

Source	Forecast from	Forecast for 2019	Forecast for 2020
Bundesregierung	April 2019	+ 0,5 %	+ 1,5 %
EU – Kommission	Mai 2019	+ 0,5 %	+ 1,5 %
Internationaler Währungsfonds	April 2019	+ 0,8 %	+ 1,4 %
OECD	Mai 2019	+ 0,7 %	+ 1,2 %
Bundesbank	Juni 2019	+ 0,6 %	+ 1,2 %
Sachverständigenrat zur Begutachtung der gesamtwirtschaftl. Entwicklung	März 2019	+ 0,8 %	+ 1,7 %
Gemeinschaftsdiagnose der führenden Wifo. Institute	April 2019	+ 0,8 %	+ 1,8 %
Deutsches Institut für Wifo DIW	Juni 2019	+ 0,9 %	+ 1,7 %
Ifo Institut für Wifo Uni München	Juni 2019	+ 0,6 %	+ 1,7 %
Institut für Weltwirtschaft Kiel	Juni 2019	+ 0,6 %	+ 1,6 %
Institut der dt. Wirtschaft Köln	April 2019	+ 0,7 %	+ 1,6 %
Hamburgisches Weltwirtschaftsinstitut	Juni 2019	+ 0,9 %	+ 1,7 %
Institut für Wirtschaftsforschung Halle IWH	März 2019	+ 0,5 %	+ 2,0
Institut für Makroökonomie und Konjunkturforschung IMK	Juni 2019	+ 1,0	+ 1,6 %
Rheinisch-Westfälisches Institut für Wirtschaftsforschung RWI	Juni 2019	+ 0,8 %	+ 1,4 %
Stand 25.06.2019			
		\emptyset 0,7 %	\emptyset 1,6 %

Current Situation - Overall Economy

For a few months now, the economy has also become more and more negative about the economic situation. First plan corrections and profit warnings were issued.

Business Climate Supply Industry Germany July 2019



Source: Ifo München, ArGeZ Arbeitsgemeinschaft Zulieferindustrie, Indexbasis 2015=100
 Seasonally adjusted, balance of positive and negative reviews

... twelve boss quotes show the seriousness of the situation

"Yes, we notice the downturn"

- Wolf-Henning Schneider, head of the car supplier ZF

"On the market side, we probably crossed the peak"

- Frank Hiller, CEO of Engine Builder Deutz

"The environment has become challenging"

- Stefan Asenkerschbaumer, CFO at Bosch

"Of course, a substantial number of jobs will disappear in Germany, too"

- Christian Sewing, Chief Executive Officer Deutsche Bank

"The risks to economic development remain high"

- Hans Van Bylen, President of the German Chemical Industry Association (VCI)

"It is to be expected that the economic slowdown will pick up speed"

- Holger Bingmann, President of the Federal Association of Wholesale, Foreign Trade, Services (BGA)

"German economy is on the verge of stagnation"

- Holger Schmieiding, chief economist of Berenberg Bank

"We currently have at least one dent"

- Gabriel Felbermayr, head of the Kiel Institute for the World Economy

"Germany is somewhere between a marked slowdown and a recession"

- Jörg Krämer, chief economist Commerzbank

"A recession in Germany seems inevitable"

- Patrick Hussy, Managing Director at Sentix

"German industry has been in recession since the middle of last year"

- Timo Wollmershäuser, Head of Economic Forecasts at the Ifo Institute

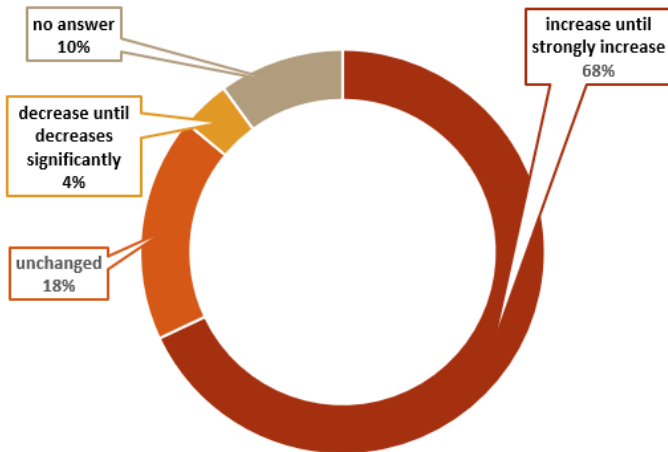
Source: Focus Online 15.07.19

Current Situation - Overall Economy

An increase in corporate insolvencies for 2019 was expected in advance by experts. Current developments show that these negative expectations are confirmed.

How do you think the number of bankruptcies in 2019?

(in percent)



The survey

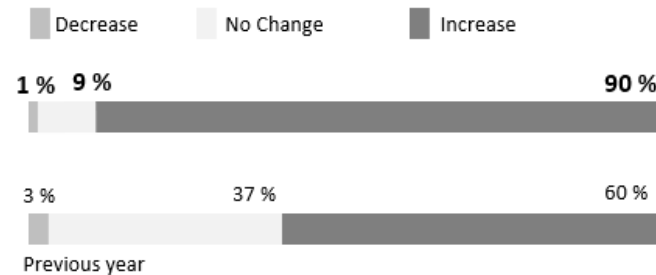
The Restructuring Barometer is an online survey among professionals in the intensive care sector of banks. Participated 104 specialists.

The surveyed

The restructuring experts represent all 3 pillars of the German banking system. Trade credit insurers were also included in the survey.

Source: FINANCE Restructuring Barometer

Will the number of new restructuring cases decrease or increase over the next 12 months?



The surveyed

Around 500 experts from Germany, Austria and Switzerland. ¾ of the study participants come from the banking sector, the restructuring advice or the insolvency administration.

Each interviewee oversees more than seven restructuring cases on average per year.

Source: Roland Berger, Restructuring Study 2019

Insolvencies are rising again for the first time since the financial crisis

According to Atradius, worldwide bankruptcies will rise again this year for the first time since the global financial and economic crisis. The main cause of this is the international credit insurer's increasing burden on international business due to trade conflicts.

Current Situation – Foundry Industrie

Also in the area of the aluminum foundry industry there are first, different signs of a cooling economy.

GF wants to close foundry in Werdohl
Georg Fischer wants to massively reduce jobs in Werdohl

18.07.19 11:20 (come-on.de)



Werdohl [Update: 16:20] - The Swiss technology group Georg Fischer (GF) wants to reduce 300 jobs at its Werdohl location in the medium term.

..... "The automotive business in Europe, and especially Western Europe, is changing rapidly, affecting both the client and the competitor side, which are increasingly operating in Eastern Europe," announced the group headquarters in Schaffhausen (Switzerland) on Thursday morning.

Formerly Halberg Guss, today Gusswerke Saarbrücken:

For a year now, employees have been struggling to maintain the company, most recently with a new investor. However, IG Metall was surprised that 200 jobs should now be dismantled in a socially responsible manner.

Short-time working since May

The foundry in Saarbrücken is still trying to secure the future of the site and conclude contracts with customers. Already at the takeover last year, the investor had indicated personnel cuts. The Gusswerke Saarbrücken currently have around 1,200 employees. Since May, Gusswerke Saarbrücken have registered short-time work.

Source: Saarländischer Rundfunk on 15.07.2019

Compared to the previous year (2018), **order intake** in the German AI foundries **declined by 6.1%** in the months of Jan-April.

Source: BDG Management Report 2019

Press release - 04.07.2019

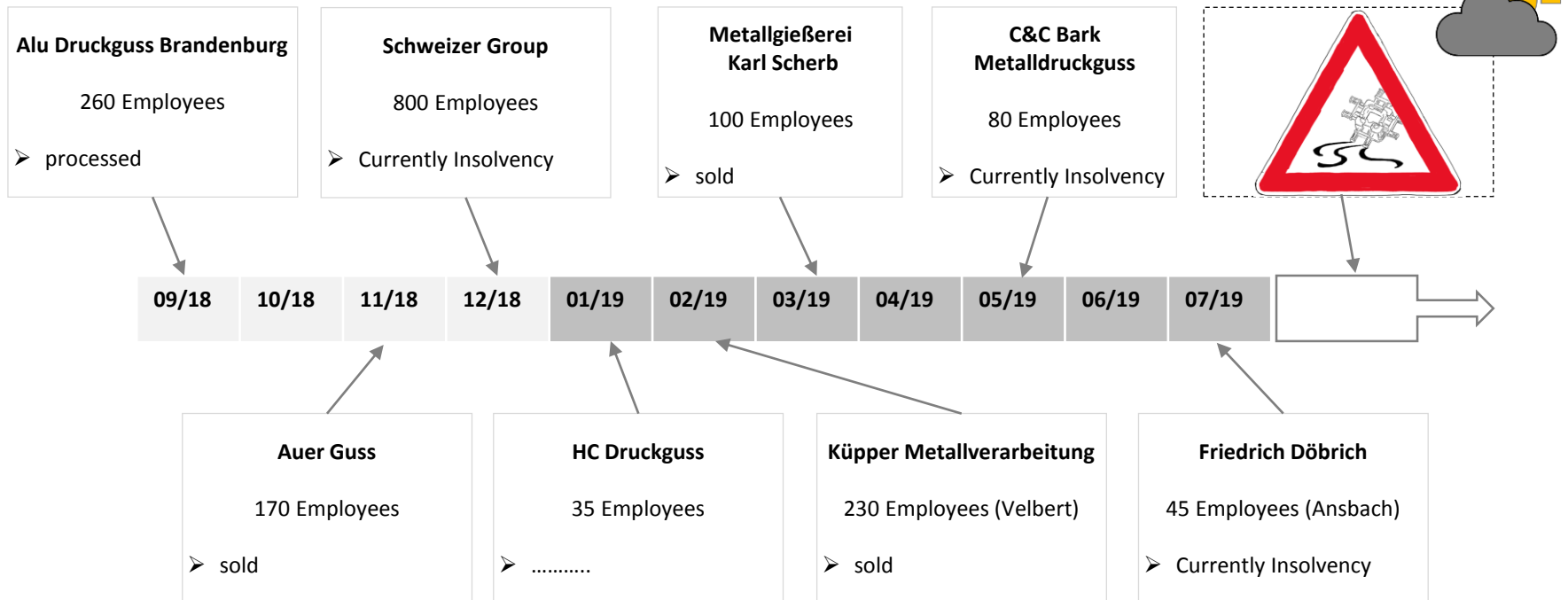
Ifo Institute: Industry expects increase in short-time working

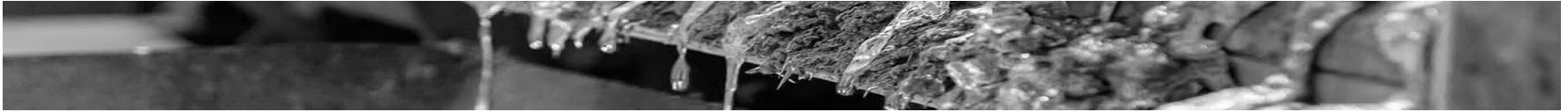
According to the ifo survey, 3.8 percent of companies in the manufacturing sector are already working short-time working. This is the highest value since mid-2013. At its lowest level at the end of 2017, its share was only 0.4 percent. Since then he has been increasing almost continuously.

Current Situation – Foundry Industrie

The number of **Insolvencies** has also increased in the **foundry industry (die casting)** in recent months. As a reason of all companies, the declining sales figures were mentioned. In addition, there are currently mainly postponed new projects, high investment and development costs, as well as the partial elimination of the previous "bread and butter" parts of the foundries.

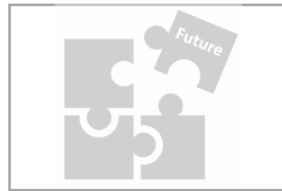
Insolvencies of German die casting foundries since 09/2018 (Status: current state of knowledge)





A

Summary



B

Current
Situation



C

Manage the
Process
- Short term
- Long term



D

Correcting
Lever
(Short term)



E

Take
Opportunities
(Long term)

Manage the Process

The fields of action and challenges are complex and far-reaching, especially in the foundries. The solution approaches are individually different and depend on the starting position, as well as the strategic direction of the individual companies.

- „ Why are we in crisis?“
- „ Where are you travelling to?“

The **task** derived from the initial situation (short-term, long-term) is very different:

Short-Term

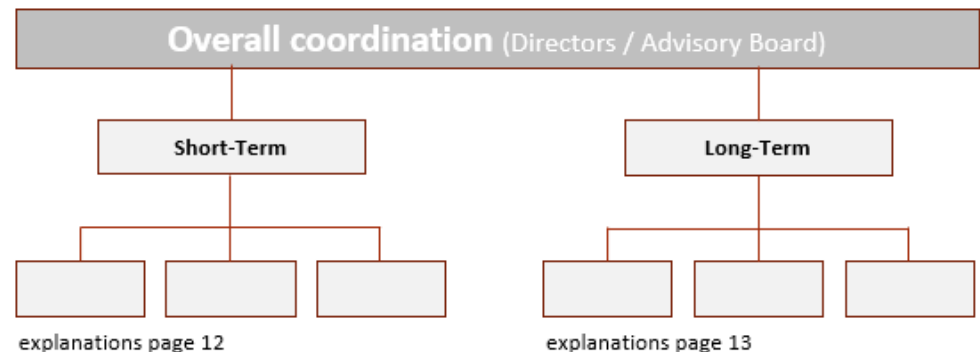
The top priority is the „rescue“ of the company. Liquidity comes into focus.

Long-Term

Only companies that take advantage of the opportunities offered by the crisis, correct mistakes and put their current strategic focus on the test bench will be successful in the long term.

In order to meet the challenges of the short-term and long-term task, it is important to manage both processes separately. It makes sense to implement two teams with a clear separation of the short-term and long-term task.

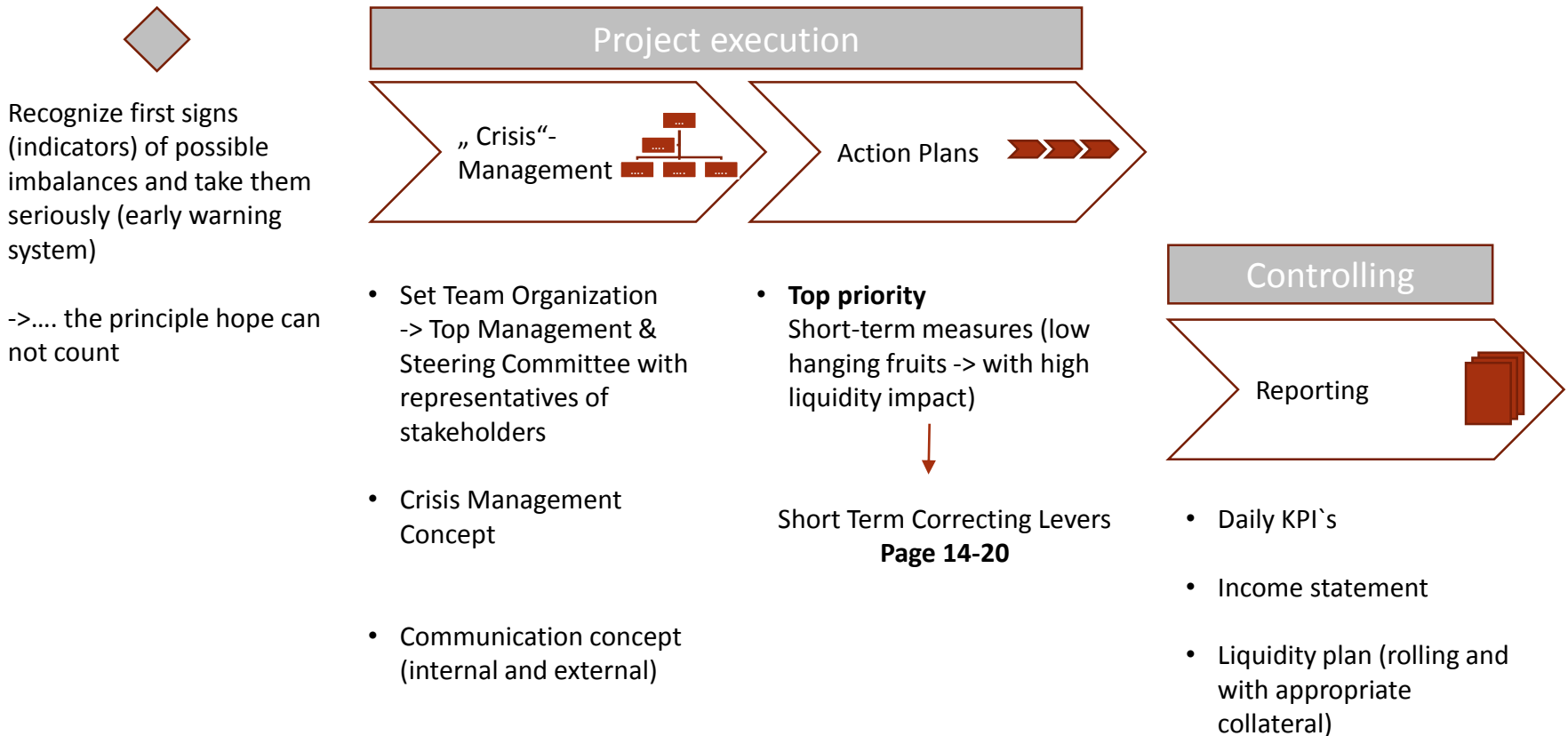
Team members can also work in both teams if required. A higher level coordination, e.g. in the form of a steering committee is to be installed.



Manage the Process- Short Term

To **avert damage** from the company in the **short term**, the first signs of the crisis must be taken seriously. The principle of hope is inappropriate. The existential meaning requires that the process be managed professionally and with 1st priority.

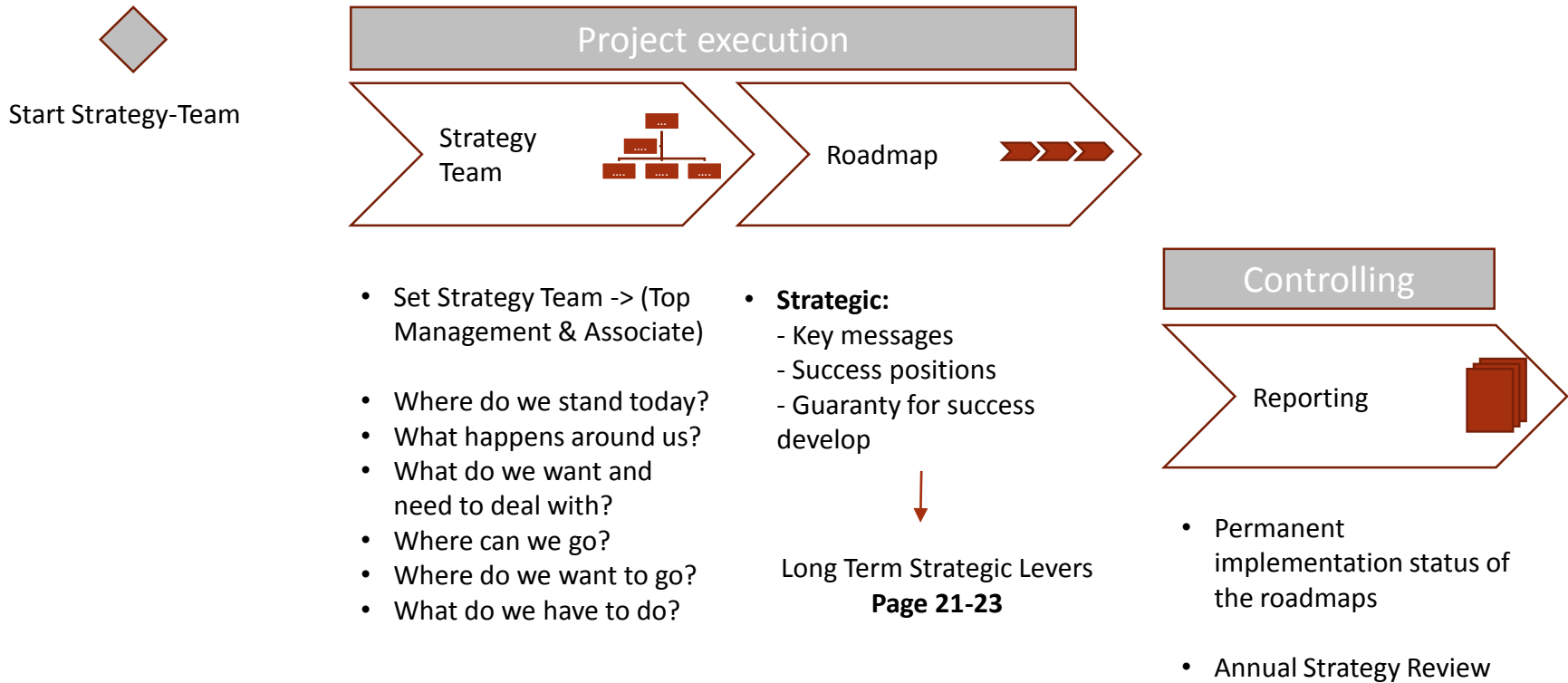
Task: To develop measures to avert damage from the company in the short term and to secure the financial stability (liquidity).

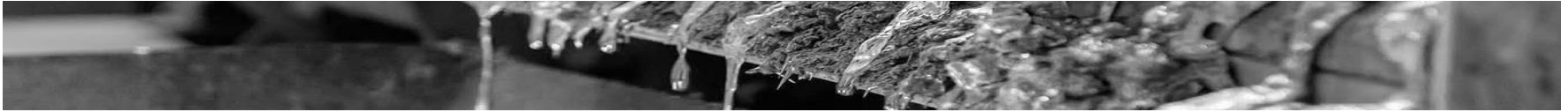


Manage the Process- Long Term

In addition to the short-term measures, the **long-term** aspect is often neglected. Based on the identified weaknesses and opportunities, the company's strategy must be **revised, adapted** and **implemented**.

Task: Development of a goal-oriented and holistic strategy to achieve the long-term corporate goals.





A

Summary



B

Current
Situation



C

Manage the
Process
- Short term
- Long term



D

Correcting
Level
(Short term)



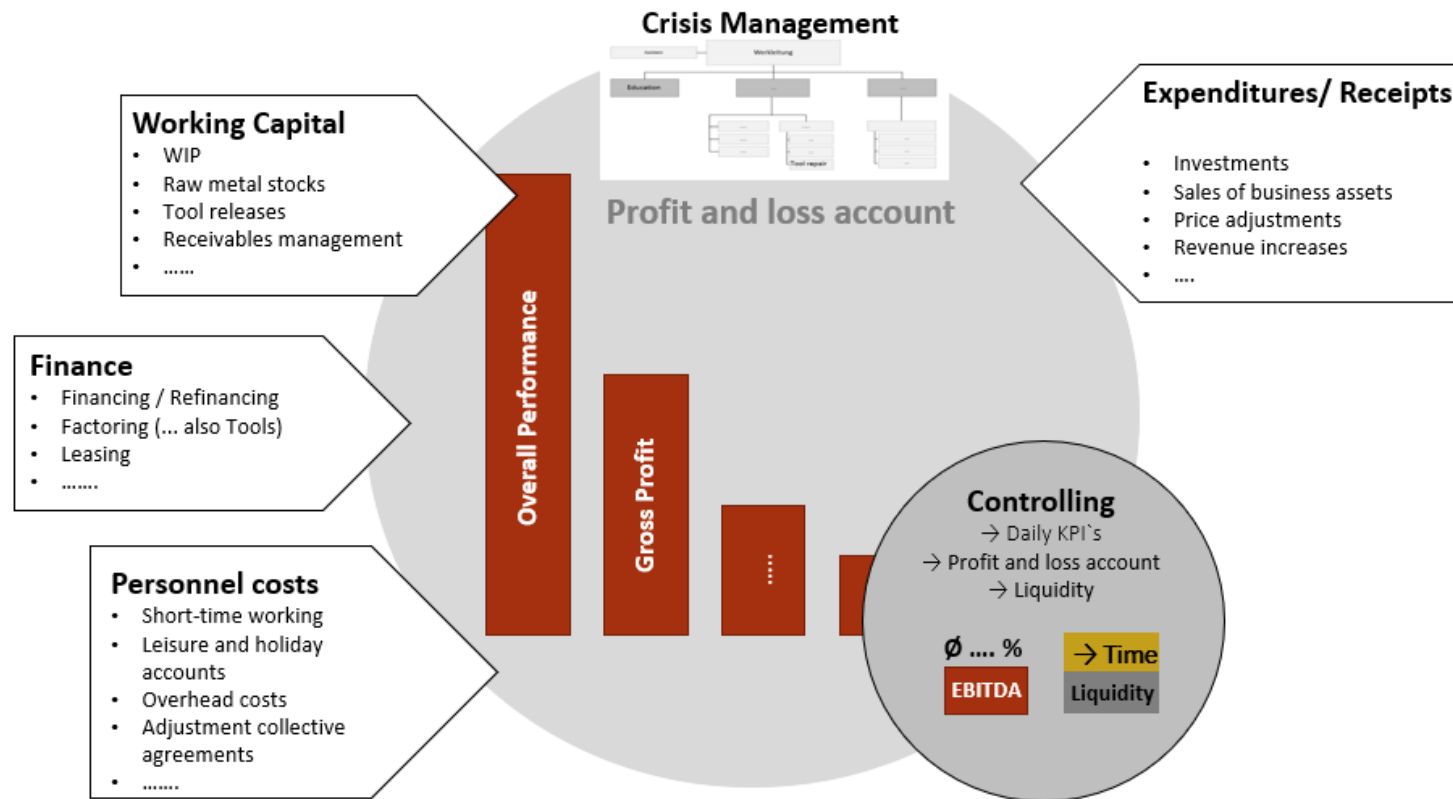
E

Take
Opportunities
(Long term)

Correcting Lever – Short Term

Overview

Avoiding damage to the company in the short term is a top priority. After installing the appropriate crisis management, **all options** for improving the company's liquidity in the short term must be put to the **test bench**. "There is no holy cow"

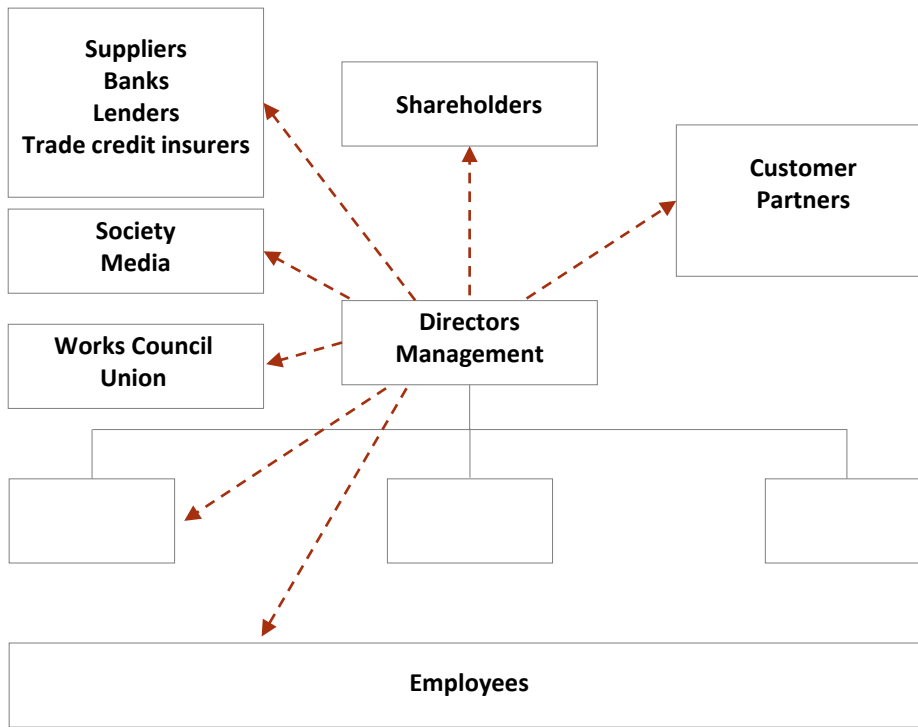


➔ Some of the approaches and measures listed here have **long-term** leverage in addition to the **short-term**.

Correcting Lever – Short Term

Crisis Management

The existential importance of the situation requires a high degree of professionalism in the implementation of the project. Project organization, strategy, communication and involvement of the stakeholders have to be defined individually according to the company. The success depends significantly on these first steps.

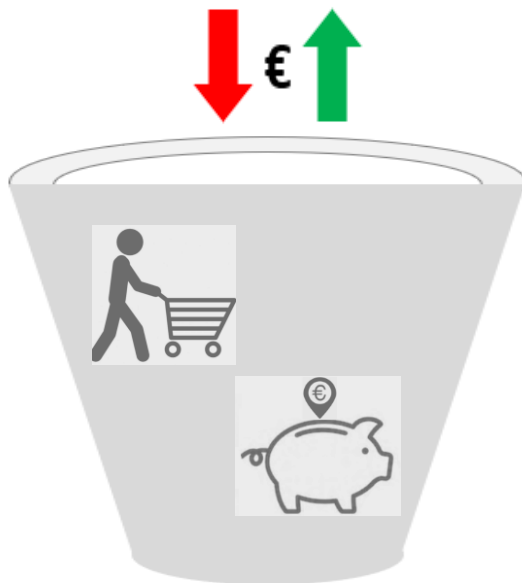


- Install **early warning systems** (before)
- Describe and define **communication** process (internal / external)
- Describe Crisis Management **Strategy** (... for everyone involved in the process)
- Integrate **stakeholders** (shareholders, banks, customers and ...) in the project organization

Correcting Lever – Short Term

Expenditures/ Receipts

Reducing expenses and increasing revenue is the classic and often first approach to any earnings issues that arise. The lever works mostly short term and the effort is usually manageable.



Profit and Loss Account * [%]	Month Actual
Sales Products	85,0
Sales Tools (Molds)	14,0
Other Revenues/ Revenue Reduction	1,0
Net Sales	100,0
Change in Inventory	0,0
Own Work Capitalized	0,0
Overall Performance	100,0
Other Operating Income	1,0
Material Costs Products	- 38,0
Material Costs Tools (Molds)	- 7,5
Material Costs	- 45,5
Gross Profit	55,5
Personnel Costs	- 35,0
Other Operating Expense	- 12,2
EBITDA	8,3
Depreciation (AfA)	- 5,0
EBIT	3,3
Financial Result (Interest)	- 0,8
EBT (Earnings before Taxes)	2,5
Taxes + Other Taxes	0,5
Annual Net Profit (EAT)	2,0

- **Investment**
 - define Priorities
- **Sales of operating assets**
 - old: molds, machines, ...
 - premises
- **Price adjustments**
 - lower-quantity surcharges
 - rate the age structure of the products
- **Short-term sales increases**
 - relocating external work
 - increasing quota allocations
- **Reduce procurement costs**
- **All issues according to the 4-eye principle**

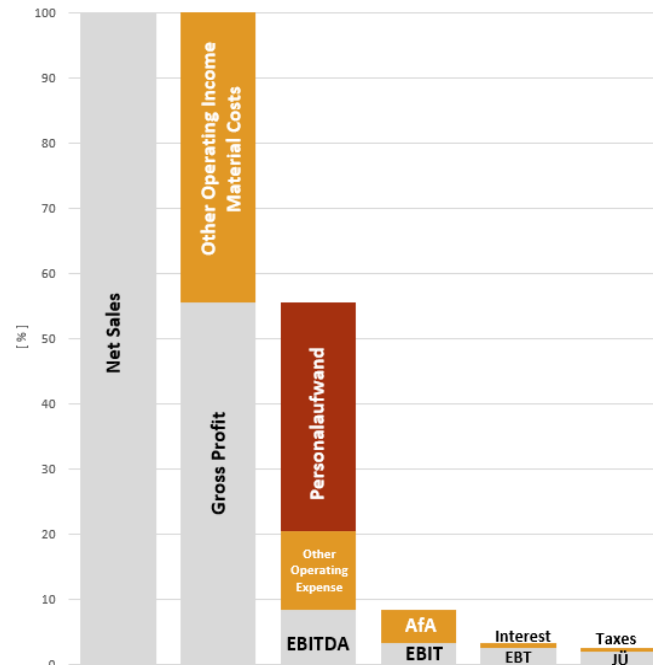
Correcting Lever – Short Term

Personnel costs

The biggest cost block in every **die casting foundry** is the area of personnel costs. Depending on the respective wage level (location of the foundry), the available depth of added value and the achieved productivity, the personnel expenditure is up to 35% of the total output (... in individual cases also higher). As a result and liquidity lever, the personnel costs have **1st priority**.

Profit and Loss Account *	Month
[%]	Actual
Sales Products	85,0
Sales Tools (Molds)	14,0
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* simplified presentation - average values of the die casting industry

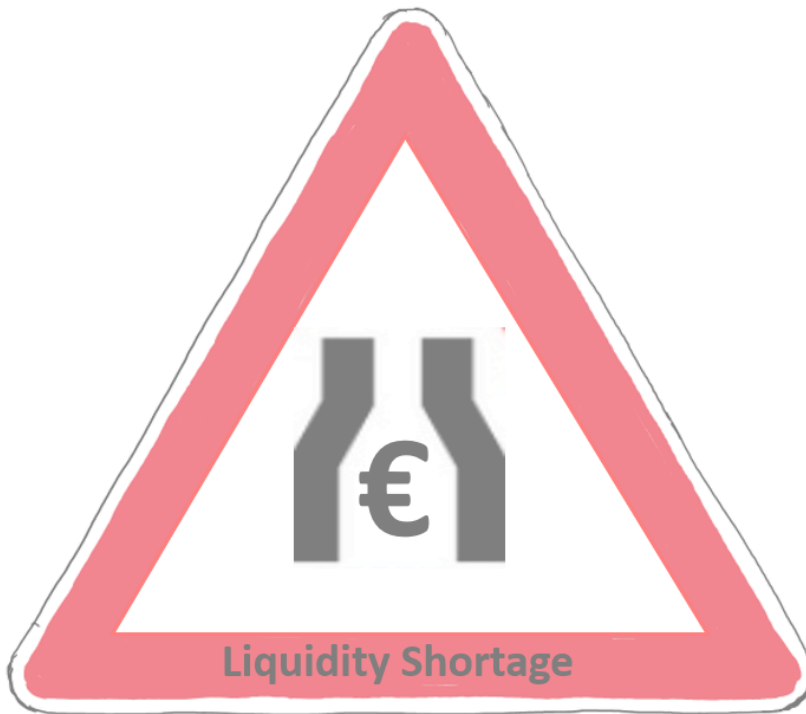


- Reduce **overtime** and reduce temporary workers
- **Short-time working**
 - lay the conditions
 - works agreement
 - applying for short-time working (employment agency)
- **Customize union costs**
 - show need (Works council, Union)
 - conduct negotiations
 - restructuring agreement?
- **Make Fixed Costs variable**
 - Outsourcing Payroll accounting and IT
- **Adjust overhead costs**
 - adjust employee numbers
 - temporarily put employees into production

Correcting Lever – Short Term

Working Capital

Cash generation through working capital management offers a good and fast way to release the liquidity tied up in the company. Traditionally, smaller and medium-sized companies have greater potential to release liquidity in the short term



- **Raw part inventory**
 - Just in time deliveries
 - Liquid metal insert
 - introduce consignment stock

- **Finished part stocks**
 - Flexibilization of production (for example reduction setup time)
 - Reduction of throughput times
 - Eliminate capacity bottlenecks
 - negotiate consignment stock with customers

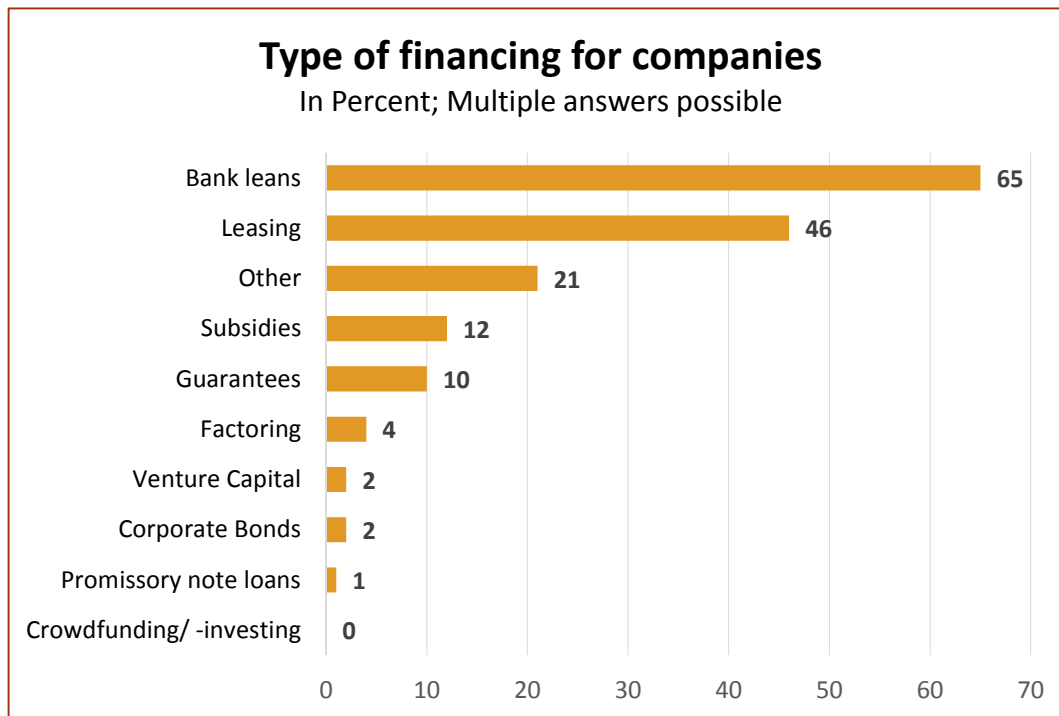
- **Circulating stocks, Tools**
 - Optimized tool releases
 - Negotiate terms of payment with the customers
 - Reduction of procurement times

- **Receivables management**
 - Proactive receivables management
 - extend payment terms

Correcting Lever – Short Term

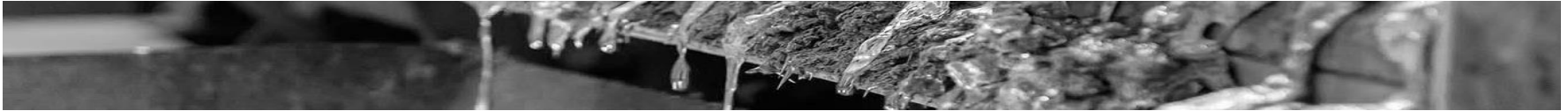
Finance

Another lever (short and long term) to improve the financial situation in the company are the different forms of financing. There have already been significant changes in recent years. The classic bank loan was supplemented by other financing instruments.



- **Financing / refinancing**
- renegotiate terms
- **Introduce factoring** (products and tools)
- **Leasing**
- renegotiate agreements
- Sale and leaseback
- **Check subsidies**

Source: DIHK Konjunkturumfrage im Frühsommer 2017
Nearly 20,000 company responses have flowed



A

Summary



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Situation



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Manage the
Process
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Correcting
Lever
(Short term)



E

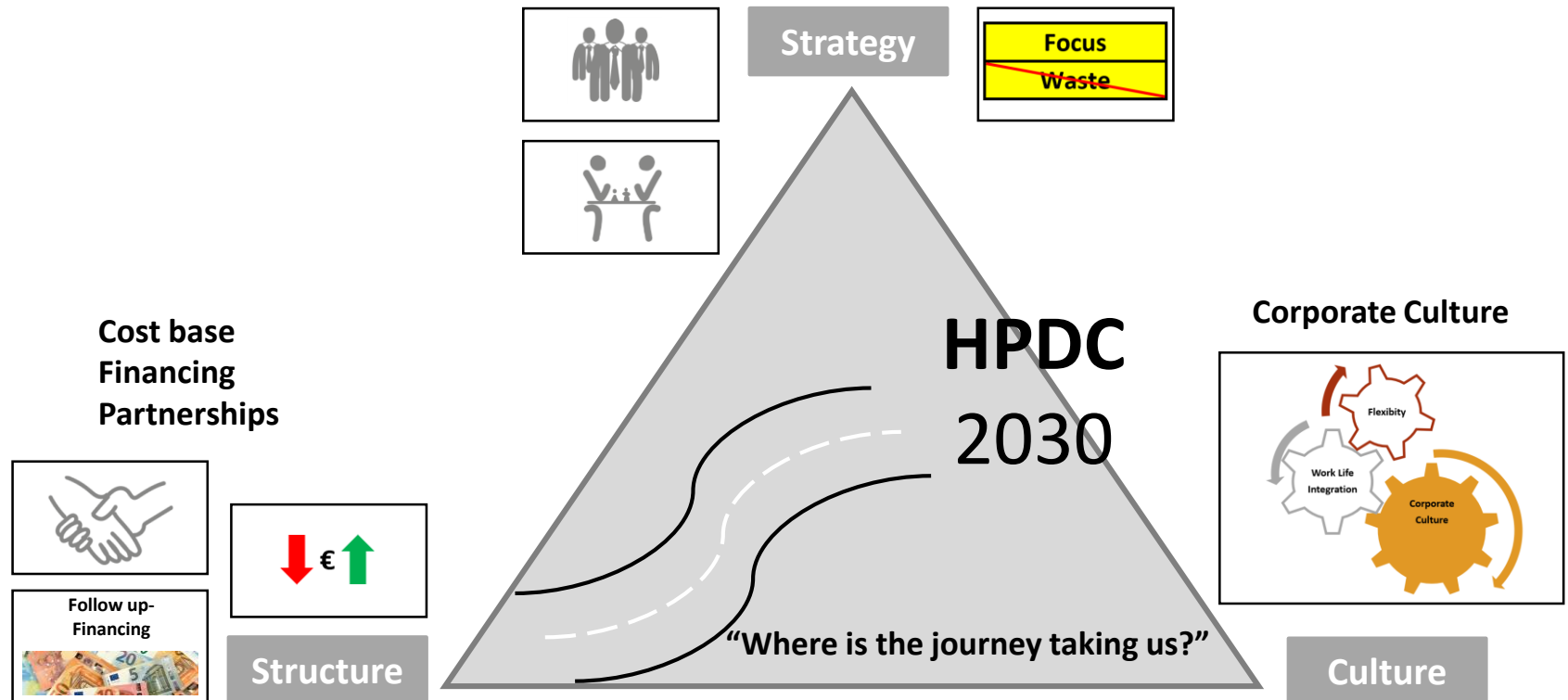
Take
Opportunities
(Long term)

Exploit Opportunities – Long Term

Overview

Based on the knowledge gained and the opportunities that arise, the corporate strategy must be revised and adapted. It is important that this task is completely separated from the development of short-term measures.

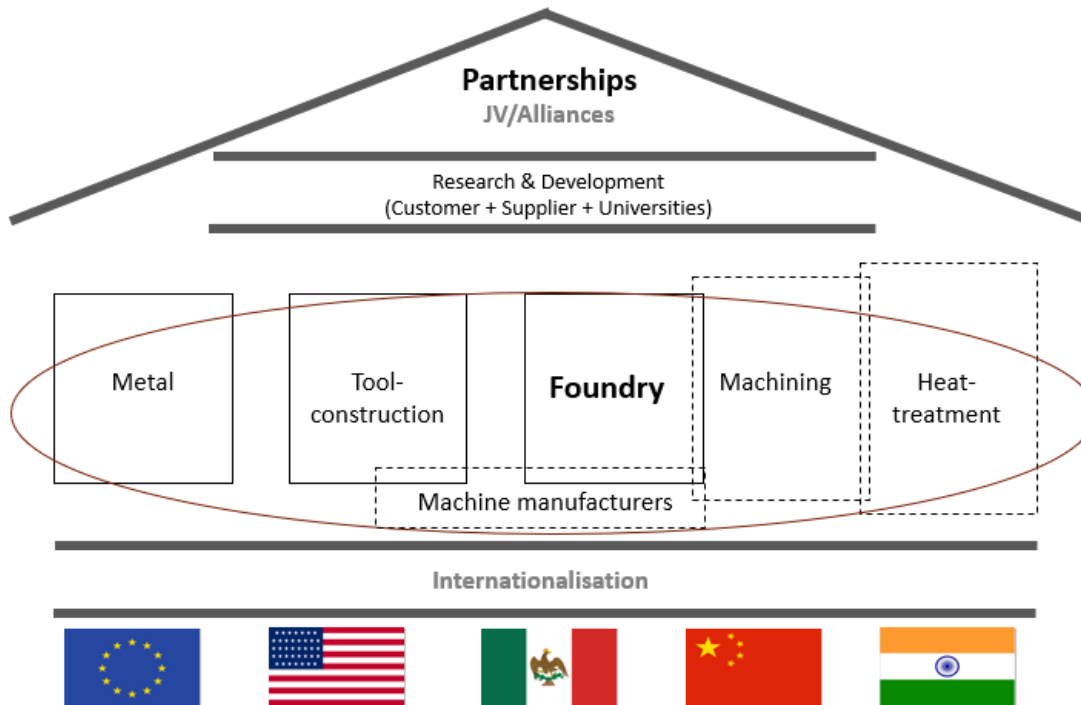
Strategy Roadmap, Management Quality, Technology Roadmap



Exploit Opportunities – Long Term

e.g. Partnerships

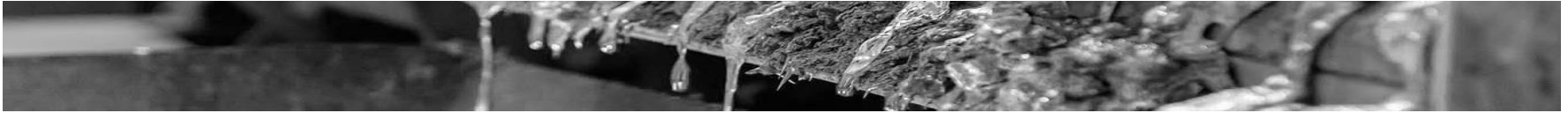
Partnerships, joint ventures and alliances are one of the **key strategic levers** of the future. The complexity of the tasks and the associated high costs (investments, development costs, advance payments) can no longer be borne by individual foundries alone. In the short term, rethinking and acting is absolutely necessary.



Strategy - Levers

- **Partnerships**
 - Cooperation with metal suppliers (refurbishment, raw metal consignment stock, liquid metal procurement, ...)
 - Cooperation with tool makers (development, design, spare parts management, sampling, ...)
 - Machining externally (Shop in Shop)
 - Internationalization (acquisition, JV, partnerships ...)
 - Development partnerships (.. with market participants, suppliers, customers, ...)
 -

- **Strategy Roadmap**
- **Technology Roadmap**
- **Management Quality**
- **Corporate Culture**
- **Cost base**
- **Financing**



... we help you with the answers, and with the implementation.



"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