Automotive News

Here's our 2021 list of top suppliers

Most of the industry's biggest parts suppliers took a revenue hit in the year of the pandemic. The surprising thing is that it wasn't much worse.

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As disruptive as the global microchip shortage has been to automakers and suppliers so far this year, it is also simply the latest in a long line of challenges that have thwarted business planning and outlooks around the industry since the waning days of 2019.
Much of that disruption can be laid at the feet of the COVID-19 pandemic. But not all of it.

Since late 2019, the world's biggest auto parts suppliers have been knocked off their game by a decline in the now-critical vehicle market of China. That segued, coincidentally, into the first widespread appearance of COVID-19 shutdowns across the Chinese industry, which in turn segued into production and consumer-demand shutdowns across Europe and North America.

TOP 10 GLOBAL SUPPLIERS

As ranked by 2020 original-equipment parts sales to automakers worldwide

Supplier	(2019 rank)	Sales in billions
1 Robert Bosch	-1	$46.52†
2 Denso Corp.	-2	$41.13†*
3 ZF Friedrichshafen	-5	$33.40
4 Magna International	-3	$32.65†
5 Aisin Corp.	-6	$31.94†
6 Continental	-4	$29.68†
7 Hyundai Mobis	-7	$25.07

8 Faurecia	-8	$17.58
9 Lear Corp.	-9	$17.05
10 Valeo	-10	$16.95†

†fiscal year
*estimate
Source: Automotive News Research & Data Center

Not surprisingly, the 2021 *Automotive News* Top Suppliers ranking of the industry's biggest producers of original equipment content for automakers shows that the vast majority of major world parts companies posted sales declines in 2020.

But equally notable: In many cases, the flurry of business punches taken by suppliers last year did relatively minor revenue damage.


Hudson: Issue is short-term views

Electronics and propulsion system supplier BorgWarner's estimated 2020 original equipment volume of $9.97 billion was just 2.2 percent lower than its 2019 results. Japanese lighting supplier Koito Manufacturing reported a mere 1.1 percent dip to $7.36 billion in 2020. And Eberspaecher Gruppe, the privately owned German producer of exhaust, heating and air conditioning systems, managed to deliver an 8.2 percent increase in sales during the year, to $6.02 billion.

"If I had to say anything surprised me, it would be the resiliency of not only the OEMs, but the supply base — to be able to get health inspectors and safety equipment and COVID testing," said Marcus Hudson, executive director of Calderone Advisory Group.

Holding the line

Revenue pressures told only part of the story last year. In the face of the unknown, suppliers scrambled to tap credit lines, evaluated reshoring moves and local warehousing possibilities, shared best practices with each other and implemented strange new safety protocols to keep customer programs moving.

At the same time, they stayed on track with long-term business strategies to help the industry move rapidly into its new era of electrification.

As another testament to supplier resiliency, despite the year's chaos, the industry's 10 largest parts companies remained the same — although with a little shuffling.

Robert Bosch and Denso remain the world's top two largest at No. 1 and No. 2, respectively, in the same order as in 2019.

ZF Friedrichshafen jumped two spots to No. 3 this year, while Magna International Inc. fell one spot to No. 4.

Aisin Corp. jumped to No. 5 from No. 6 last year, and Continental dropped two spots to No. 6 from No. 4.

The final four of the top 10 — Hyundai Mobis, Faurecia, Lear Corp. and Valeo — remained in the same order as their global rankings last year.

"There's a culture of resiliency in the auto industry that I think is admirable," Patrick Anderson, CEO of Anderson Economic Group, a research company in East Lansing, Mich., told *Automotive News*. "I look at the auto industry and give them a wartime medal because they delivered for their employees and customers in a terrible year."

But Anderson warned that the suppliers still face operating challenges. The lingering ripples of the pandemic and the resulting industrywide shortage of microchips and other resources have alerted the industry that it has supply chain problems that need to be fixed.

"2020 underlined that we have serious supply chain risks in the auto industry," Anderson said. "The auto industry has a real crisis now. It was able to address many of the challenges of the public health crisis, to its credit. But I don't think the industry has come to grips with the risks we have now."

Unique times

It has been a complex series of problems.

In between the industry's pandemic-induced shutdown and the ramp back up, suppliers were forced to steer through liquidity troubles as vehicle programs halted, navigate unpredictable customer restart delays and work with inconsistent manufacturing restrictions across state lines.

Then, as their plants returned to work, suppliers established health and safety protocols to keep the wheels turning, but at the same time struggled to retain manufacturing labor.

A year of logistics troubles and clogged customs traffic at U.S. borders and ports saw some suppliers re-evaluate established procurement models, reconsider international supply chains and recalculate costs with additional local warehousing added to the equation.

"It was a daily kind of firefighting," said Laurie Harbour, CEO of the suburban Detroit auto manufacturing consultancy Harbour Results Inc. "It was a theme of inconsistent demand, tied with massive labor challenges, tied with massive demand, all sort of unprecedented.

"But for the most part, I think the majority of the supply base actually weathered things pretty well."

Lear, ranked No. 9 globally with 2020 sales of $17.05 billion, made a name for itself by releasing its Safe Work Playbook. The openly distributed industry document detailed safety protocols such as social distancing measures and worker temperature checks, as well as best practices for communicating work procedures with employees.

Many suppliers also stepped up to help with the "arsenal of health" to produce medical supplies for the nation.

Employees from parts supplier Denso, ranked No. 2 with global sales of $41.13 billion last year, began 3D-printing face shields from home and helped front-line workers.

Engineers from seating supplier Adient, the industry's No. 14 parts company, produced personal protective equipment. Adient saw sales of $12.67 billion last year, despite a 23 percent decline in sales to automakers.

Despite the emergency distractions, suppliers still engaged in ongoing strategic business decisions.

German parts giant ZF Friedrichshafen pressed ahead with its acquisition of U.S.-based Wabco Holdings Inc. in a move to bolster the companies' play in commercial vehicles.

The $7 billion deal closed in May, just as the industry began to ramp back up from the shutdown.

No. 23 BorgWarner Inc. closed on its acquisition of powertrain supplier Delphi Technologies, a deal with an enterprise value of $3.2 billion, in the hopes of better positioning itself for the future of electrification.

"The best suppliers were still realizing that a new form of electrification is coming, and we couldn't halt our investment," Harbour said. "What you saw at the OEM level was absolutely a recommitment to that technology because, of course, the new startups were becoming even more relevant, and the suppliers that are good ones having to follow behind that."

Leadership changes also rippled through the industry.

Continental, with $29.68 billion in 2020 original equipment sales, installed a new president for its North American business just weeks into the pandemic. And North America's largest supplier, Magna, saw 21-year company veteran Don Walker announce his retirement as CEO in October. Magna reached $32.65 billion in sales to automakers last year, even with a 17 percent decline in sales from 2019.

Last year's crises continue to complicate business, especially in the form of the chip shortage and other critical parts shortages.

Hudson believes that the industry is in the current predicament because automakers thought short term, Hudson said.

"For once in our lifetime, demand actually exceeds capacity," Hudson said. "But the lack of capacity and the lack of supply has driven up prices, which is reducing margins for the supply base, part of which was covered up by [Paycheck Protection Program] loans.

"Those aren't new to 2021," he added. "The surprise, frankly speaking, is that all this stuff hasn't resolved itself by now.

"The supply base is going to have to, for lack of a better term, make things right. Suppliers cannot continue down this path. It just is not sustainable."