

COMPANY PROFILE

Nexteer Automotive Group Ltd

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COMPANY OVERVIEW

Nexteer Automotive Group Ltd (Nexteer) is an automotive components manufacturer. The company designs, manufactures, and supplies steering and driveline systems and components for the global automotive manufacturing industry. Its product portfolio includes electric power steering, hydraulic power steering, steering columns, advanced driver assistance systems, automated driving technologies and intermediate shafts. Nexteer's Driveline system includes front wheel drive intermediate drive shafts, rear wheel drive halfshafts, and propeller shaft constant velocity joints. The company also offers advanced driver-assistance systems and automated driving technologies for OEMs, which include steer-by-wire, quiet wheel steering, magnetic torque overlay and high availability electric power steering. It has a presence across various geographical regions including. Nexteer is headquartered in Auburn Hills, Michigan, the US.

The company reported revenues of (US Dollars) US\$4,276.1 million for the fiscal year ended December 2024 (FY2024), an increase of 1.6% over FY2023. In FY2024, the company's operating margin was 2.7%, compared to an operating margin of 1.5% in FY2023. In FY2024, the company recorded a net margin of 1.4%, compared to a net margin of 0.9% in FY2023.

KEY FACTS

Head Office	Nexteer Automotive Group Ltd 1272 Doris Road Auburn Hills Michigan Auburn Hills Michigan USA
Phone	1 989 7575000
Fax	
Web Address	www.nexteer.com
Revenue / turnover (USD Mn)	4,276.1
Financial Year End	December
Employees	12,000
Hong Kong Stock Exchange Ticker	1316

SWOT ANALYSIS

Nexteer Automotive Group Ltd (Nexteer) is a manufacturer of steering and driveline system components for the global automotive manufacturing industry. Geographic presence, customer base, operational capabilities and broad product portfolio strengthened its operations, even as a decline in working capital could remain a cause for concern. Market outlook for car manufacturing, growth initiatives and global sensors market could provide growth opportunities for the company. However, raw material procurement risks, intense competition, and exchange rate fluctuations could affect the company's operations.

Strength Customer Base Broad Product Portfolio Geographic Presence Operational Capabilities	Weakness Decline in Working Capital
Opportunity Sensors Market: Global Global Car Manufacturing Market Growth Initiatives	Threat Raw Materials Procurement Risks Foreign Exchange Risks Intense competition

Strength

Customer Base

The company caters to a broad range of customers, which provides it with a competitive advantage over its competitors. Nexteer is a manufacturer of steering and driveline system components to the global automotive manufacturing industry. The company's clientele includes over 60 major companies such as BMW Group, Changan Automobile Co Ltd, Ford Motor Co, BYD Auto Co Ltd, Toyota Motor Corp, Volkswagen Group, Stellantis NV, Great Wall Motor Co Ltd and Maruti Suzuki India Ltd. In FY2024, the company successfully launched 55 new customer programs across all regions. Nearly 53 of these customer programs represented new or conquest business and 34 represented EV launches supported by the company's products

Broad Product Portfolio

A broad product portfolio enables Nexteer to secure operational benefits, provides competitive advantages and enables the company to serve a wide range of customers. The company manufactures electric power steering, hydraulic power steering, driveline and ADAS and automated driving. Through its electronic and hydraulic power steering, the company provides intermediate shafts, column-assist electric power steering, premium eps rack and pinion gears, single and dual pinion assist eps, rack-assisted electric power steering, modular power packs, magnetic torque overlay, recirculating ball steering gears

and others. Through driveline, it provides standard angle rzeppa joint, high angle undercut free joint, tripot, double offset, axle shaft technology and others. In automated driving, it provides quiet wheel steering, magnetic torque overlay, high availability eps and others.

Geographic Presence

Wide geographic operations help in mitigating the risks associated with dependence on a specific region. Nexteer has operations in six continents including North America, Asia Pacific, Europe, Middle East, Africa and South America. The company has offices in several places worldwide to distribute its products efficiently and reach a large customer base. As of December 2024, it had operations in the US, Mexico, Brazil, Morocco, Italy, France, Germany, Poland, China, Japan, South Korea, India, Australia, and Indonesia. Wide geographic presence enables the company to serve a wide customer base, which results in improved top line performance. In FY2024, the company operated in North America; Asia Pacific; Europe, Middle East, Asia and South America (EMEASA); and other regions, which contributed 51.3%, 31.3%, 16.8% and 0.7% to the company's revenue, respectively.

Operational Capabilities

Its operational capabilities enable Nexteer to effectively handle fluctuations in demand. The company has a wide network of manufacturing facilities that enable it to meet the growing needs of its customers efficiently. As of December 2024, the company operated 27 manufacturing facilities across the US, Mexico, Brazil, Morocco, Italy, France, Germany, Poland, China, Japan, South Korea, India, Australia, and Indonesia. It also operates 13 customer service centers and five technical centers.

Weakness

Decline in Working Capital

Nexteer reported a decline in working capital (WC) in FY2024, which could cause financial instability and make it difficult for the company to meet its short-term obligations. For the fiscal year ended December 31, 2024, the working capital stood at US\$458.7 million, as compared to the working capital of US\$466.1 million in the previous year. The company reported current assets of US\$1,547.7 million, reflecting a year-on-year increase of 3.7%; whereas its current liabilities grew 6.1% year-on-year to US\$1,089.1 million. Such a decline in working capital could cause the company to borrow short-term financing in the case of additional unforeseen indirect costs, in turn increasing its interest liabilities.

Opportunity

Sensors Market: Global

The company could benefit from the positive outlook of global smart sensors market. According to in-house research estimates, in 2029, the global smart sensors market is forecast to have a value of US\$82,852.7 million, an increase of 76.5% since 2024. The market growth over the forecast period is expected to be driven by the increasing adoption of IoT across consumer electronics, industrial

automation, and automotive sectors. The growing emphasis on automation and operational efficiency, particularly with advancements in Industry 4.0 and smart infrastructure solutions, is expected to accelerate smart sensor integration. In terms of segment, automotive is the largest segment of the market, accounting for 33.1% of the market's total value in 2024, followed by consumer electronics with 24.3%, industrial with 20.1%, infrastructure with 11.3%, healthcare with 6.6%, and others with 4.7%. In terms of geography, Asia-Pacific accounts for 38.2% of market value in 2024, followed by North America 33.2%, Europe with 19.9%, Middle East & Africa with 4.8% and South America with 3.9%.

Global Car Manufacturing Market

The company could benefit from the positive outlook of the global car manufacturing market. According to in-house data, the global car manufacturing industry is forecast to have a value of US\$1,748.5 billion by 2029, representing an increase of 27.9% since 2024. In terms of volume, it is expected to reach 86,919.8 thousand units by 2029, an increase of 7.2% since 2024. This growth is driven by a sharp rise in electric vehicle (EV) production, as automakers ramp up output to cater to both domestic and export markets. With strong consumer demand, technological advancements, and increasing brand competitiveness, manufacturers are progressively shifting capacity toward EV models, particularly in high-demand segments like compact and mid-size SUVs. In terms of category, SUVs represent the largest segment, accounting for 50.8% of the industry's total volume in 2024, followed by cars at 33.2%, pickups at 11.2%, and MPVs at 4.9%. Geographically, the Asia-Pacific region accounts for 52% of the market value in 2024, followed by North America at 24.8%, Europe at 18.9%, South America at 3.6%, and the Middle East & Africa at 0.7%.

Growth Initiatives

Nexteer implements various growth initiatives, which could strengthen its operations and increase returns. In March 2024, the company launched a new Mexico Technical Center (MXTC). This expansion aims to improve responsiveness, efficiency, and quality for OEM customers in Mexico. By leveraging the MXTC's advanced facilities for electric power steering innovation, prototyping, validation, and vehicle integration, Nexteer can strengthen its market position. The center's proximity to customers and suppliers in Queretaro facilitates streamlined operations and supports talent development, positioning the company to meet growing demand effectively in the region. In January 2024, the company established its manufacturing campus in Changshu Economic and Technology Development Zone. This will strengthen production and testing capabilities in China. This strategic expansion aims to meet growing demand from automotive OEMs in the region. By integrating advanced testing facilities, production workshops, and collaborative spaces, the Changshu Campus will support innovation and streamline supply chain management. This initiative underscores Nexteer's commitment to local market growth and global competitiveness, positioning the company to lead in addressing evolving mobility challenges and technology advancements.

Threat

Raw Materials Procurement Risks

Volatility in the price of raw materials could increase the financial burden on Nexteer. The key raw

materials used in the automobile industry include castings, electronic parts, molded plastic parts, finished subcomponents, fabricated metal, aluminum, and steel. Its manufacturing facilities rely on natural gas, electrical power and other energy sources. The prices and availability of these raw materials keep fluctuating from time to time affecting the operations of the company. The continuous supply of raw materials could be affected by weather conditions, national emergencies, strikes, governmental controls, natural disasters, supply shortages, or other events. Thus, price fluctuations and non-availability of raw materials may have an adverse effect on product costs and the operations of the company.

Foreign Exchange Risks

Nexteer operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Chinese renminbi (RMB). A weakening of the US Dollar against Euro/RMB would have had an equal but opposite effect, on the basis that all other variables remain constant. The company's management monitors and analyses expected exchange rate developments and considers hedging foreign currency exposure should the need arise. Nexteer entered into forward exchange contracts to hedge currency exposure between the Mexican Peso and the US Dollar, the Polish Zloty and the US Dollar, and the Euro and the US Dollar. However, there is no assurance that exchange rate fluctuations will not adversely affect the company's financial condition and results of operations.

Intense competition

Nexteer faces competitive pressures for its various products. The company's competitors range from large diversified businesses to smaller companies. It competes based on product performance, quality, and developing integrated products. Factors that influence the company's competitive position include product portfolio and scope of solutions, technology leadership, distribution network, quality of products and services, global presence and price. The company competes with competitors having comparatively larger volumes of business or businesses that are focused on a particular business segment as that of the company. The principal competitors of the company include Allison Transmission Holdings Inc, China Automotive Systems, Inc., JTEKT Corp, Mando Corporation, Wuling Motors Holdings Ltd, ZF Friedrichshafen AG, and Zhejiang Shibao Company Limited. Thus, competitive pressures could result in downward price pressure which in turn may strain the company's profit margins.

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