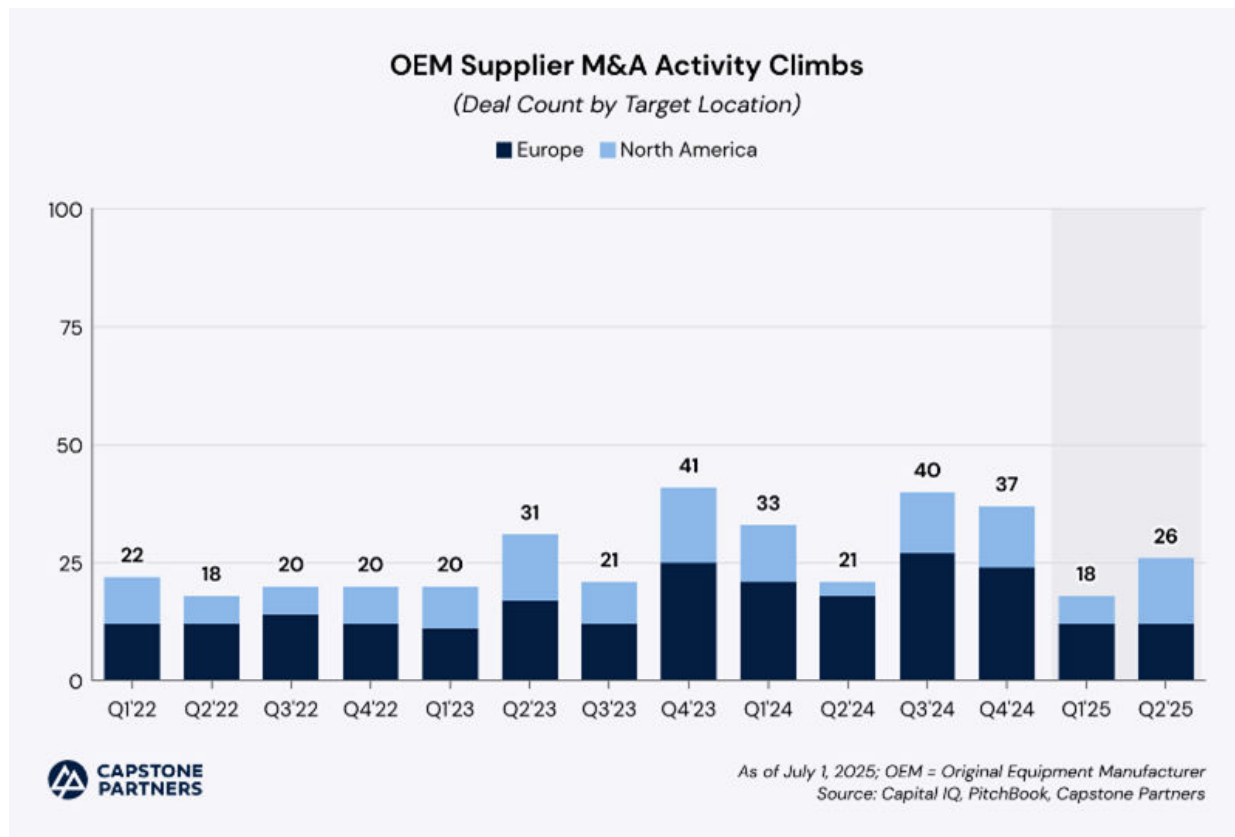


AUTOMOTIVE INDUSTRY UPDATE—SEPTEMBER 2025

The Auto Industry: Reason for Optimism or More of the Same?

The Automotive industry has continued to be in a state of flux, with investors betting against growth that seemed steady and predictable a year ago. This decline has currently been led by the European industry, where hedge funds have pulled back investments. In late August, even U.S. funds BlackRock (NYSE:BLK) and Jericho have started to weigh in by shorting shares in Volvo (OM:VOLV B) and Stellantis (BIT:STLAM) worth €75 million and €127 million respectively, according to an August Financial Times article.¹ Nissan (TSE:7201) shares fell more than 6% on August 26 when it's second largest shareholder, Mercedes-Benz (XTRA:MBG), sold it's 3.8% stake in the company, according to Reuters.²

In the U.S., merger and acquisition (M&A) deals have remained steady in Q1 and Q2 this year. However, if the full year deal volume is going to mirror that of 2024, the second half of the year will have to maintain its current trajectory. Deal volume for the U.S., including carve outs, stands at 28 transactions in YTD 2025 compared to 57 for full year 2024.



While M&A deals remain steady, the seasonally adjusted annual rate (SAAR) based on July and August results range from 15.8 – 16.4 million units. This represents a drop from the 17+ million SAAR earlier this year; still strong compared to 2024. Interestingly, light trucks have accounted for 84% of sales in July, while more affordable vehicle sales remain soft.

Could the Automotive Industry be Weathering the Storm?

Despite the tariffs, uncertainty, and disruptions in the supply chain, the industry has begun to, once again, demonstrate resilience. For the time being, risk models and financial projections have not been as reliable as they were a year ago. Nevertheless, the sector has continued to progress with new electric vehicle (EV) platforms and technological development.

Although Tesla (Nasdaq:TSLA) and the Chinese automakers currently have a strong hold on the EV market, other original equipment manufacturers (OEMs) have begun to move towards closing the gap. In August, Ford (NYSE:F) revealed its new EV platform, Ford Universal Platform. This platform will allow Ford to manufacture a suite of EVs from one platform. Initially, they wanted to compete with the affordable Tesla model and keep it at a \$30,000 price point, which is comparable to certain Chinese

models sold throughout China, Mexico, South America, and Europe. Currently, Ford has projected their first vehicle on this platform will be a midsize four-door pickup truck, available in 2027, according to Ford Motor Company.³

Ford will produce the platform on a newly designed manufacturing system that eliminates the assembly line and is comprised of three sub-assemblies that will run down their own line, then join together at the end of the manufacturing process. This process has been designed to reduce cost, improve quality, and decrease manufacturing time.

In Europe, BMW (XTRA:BMW) introduced a new EV technology, its first software-defined vehicle (SDV). This technology, which they say will be powered by “super brains,” will be manufactured on their new Neue Klasse (New Class) platform. It was unveiled at the Munich Motor Show on September 5, 2025, according to BMW Group.⁴ The first model with this technology, the iX3, is software designed and powered, and will eliminate a significant amount of hardware. BMW says the vehicle will have more than 20x the computing power of current models and eliminate much of the independent electronics in current models.

Having a software-based vehicle will allow BMW to provide software upgrades remotely in performance, safety, convenience, and entertainment. Of note, the iX3 will have an initial range of approximately 500 miles with the ability to add another approximately 220 miles in range by charging it for 10 minutes. The iX3 will be available in Europe in November 2025 and in the U.S. in Q2 2026, according to the same article.

Obviously these two programs have been in development for years, but they could be arriving at just the right time. The sector not only needs good news, but innovative technology, of high quality, and competitive on price in order to compete with Tesla and new entrants from Chinese OEMs.

What Does the Current State Mean for the Supply Base?

The automotive supply chain has not had it easy over the past five years starting with COVID, followed by semiconductor shortages, and now, the financial impact of tariffs. Suppliers who can spread cost out across multiple facilities, serving a well balanced portfolio of customers, have the best chance of strong financial performance. Additionally, as new technology is introduced, it may require new capital investment, putting further strain on financial performance.

Supplier margins have been fairly consistent across product categories. Powertrain suppliers, initially hampered by low EV sales, have compensated for the loss by increasing internal combustion engines (ICEs) and hybrid components usage. Interior

and exterior manufacturers have benefited from a stabilization of material price inflation. Suppliers of electronics have experienced declining margins despite having the highest revenue CAGR's. Surprisingly, tire suppliers have the strongest financial performance with a 7.4% EBIT margin due to a shift to higher margin products such as EV and SUV tires, Motor and Equipment Manufacturers Association (MEMA) told Capstone Managing Director, Sheldon Stone.

The everchanging Auto Suppliers market has continued to be a challenge. Strong strategic positioning that has fit within their operating model should be aligned with the characteristics of the market segments and customers they serve.

Capstone has assisted suppliers navigate significant industry turbulence and uncertainty through many industry challenges, and continue to do so in these challenging times. [Contact us](#) if we can be of assistance.

Select Industry News

- U.S. new light-vehicle sales in August are expected to reach a SAAR of 16.1 million units. – [J.D. Power](#)
- In 2024, Chinese electric vehicle manufacturers have invested more in overseas production facilities than in domestic ones—a first since tracking began in 2014. The majority of this foreign investment has been directed toward battery plants, while domestic spending fell sharply to \$15 billion, down from a peak of \$90 billion in 2022, amid rising tariffs, intensifying competition, and regulatory pressure from the European Union. This strategic shift has highlighted how automakers are localizing operations abroad to navigate trade barriers, secure market access, and reshape the global EV supply chain. – [CNBC](#)
- Hyundai Motor Group (KRX:005380) has announced an increase in its planned U.S. investments to \$26 billion through 2028, up from the previously stated \$21 billion. The expanded investment will support vehicle manufacturing, the construction of a steel mill, and the establishment of a cutting-edge robotics innovation hub. Hyundai's new plant in Ellabell, Georgia, exemplifies its commitment to automation and advanced manufacturing, operating with a 2-to-1 human-to-robot ratio—far exceeding the U.S. auto industry average of 7-to-1. – [Wall Street Journal](#)
- In June 2025, Canada imported C\$1.08 billion (\$779 million) worth of passenger vehicles from Mexico, surpassing the C\$950 million (\$685.3 million) imported

from the United States, according to a recent Statistics Canada analysis. This marks the first time since the early 1990s that Mexico has overtaken the U.S. in monthly vehicle export figures to Canada. – [Mexico News Daily](#)

Select Trade News

- U.S. tariffs on steel and aluminum imports now cover approximately \$328 billion in goods, up from \$191 billion, following the Commerce Department's decision to classify 407 additional items as steel or aluminum derivative products subject to a 50% levy. The expanded list includes various goods that could influence the pricing of certain automotive components. – [Transport Topics](#)
- Effective August 27, 2025, the U.S. has increased tariffs on imports from India to 50%, potentially affecting up to \$48.2 billion in Indian exports. – [AP News](#)
- In a joint statement issued on August 21 regarding the U.S.–EU trade framework agreement, the U.S. has signaled its intention to lower tariffs on automobiles and auto parts imported from the European Union—contingent upon the EU formally introducing legislation to reduce tariffs on U.S. goods. The agreement has also expressed a mutual commitment to recognize each other's automotive standards. However, the practical implications of this announcement remain uncertain. – [European Trade Commission](#)
- On August 25, President Trump warned that tariffs on Chinese goods could rise to as much as 200% if China imposes restrictions on rare-earth magnet exports. In July 2025, China's exports of rare-earth magnets surged to a six-month high, jumping 76% from the previous month and increasing 4.8% year-over-year (YOY). – [Reuters](#)
- An executive order issued on August 11, which has extended the suspension of increased tariffs on Chinese goods until 12:01 a.m. EST on November 10, 2025. – [The White House](#)
- The Trump administration intends to tighten oversight of imports containing steel, copper, lithium, and other materials sourced from China's Xinjiang region, as part of efforts to enforce a U.S. ban on goods allegedly produced using forced labor. – [Homeland Security](#)

OEM and Supplier News

- Toyota (NYS:TM) has projected a ¥1.4 trillion (\$9.5 billion) reduction in operating profit for its fiscal year ending March 2026, attributing the decline to increased U.S. import tariffs on vehicles. – [The Japan Times](#)
- Stellantis (NYS:STLA) has “either fully stopped or restricted” dealer orders for select fully electric and plug-in hybrid models as it evaluates whether current production levels align with actual consumer demand. – [The Detroit News](#)
- Stellantis has also officially shelved its first Level 3 advanced driver-assistance system (ADAS), part of its AutoDrive program, due to a combination of high development costs, technological hurdles, and limited consumer demand. – [Reuters](#)
- Nemak (BMV:NEMAK), headquartered in Nuevo León, Mexico, has agreed to acquire the automotive division of Swiss-based GF Casting Solutions for \$336 million in enterprise value, pending regulatory approval. The transaction includes nine manufacturing facilities across Austria, China, Romania, Germany, and the United States, along with an R&D center in Switzerland, employing approximately 2,500 people. GF Casting Solutions specializes in lightweight aluminum and magnesium components, with 80% of its output serving electric vehicle, structural, and chassis applications. Its customer base includes major automakers such as Audi, BMW, Mercedes-Benz, BYD, Nio, and Geely. – [AL Circle](#)
- Cleveland-Cliffs (NYS:CLF) has entered into two- and three-year fixed-price steel agreements with U.S. automakers, including General Motors (NYS:GM)—marking a shift from its traditional one-year contracts. The extended terms have been designed to mitigate cost volatility linked to the Trump administration’s 50% steel tariffs. For automakers, these longer contracts have also helped to secure supply amid ongoing policy uncertainty. – [Automotive News](#)
- Tenneco has committed \$22.6 million to expand valve manufacturing at its Aguascalientes, Mexico facility, with the new production line projected to boost output by 70%. – [Mexico Business News](#)

- Autokiniton has announced the permanent closure of its Oakland Stamping complex, located near the Detroit–Highland Park border, effective December 31. The shutdown has impacted more than 100 employees. A Tier 1 supplier to Ford, GM, and Stellantis, Autokiniton cited a portfolio review as the reason for the decision, which follows the recent ratification of a union contract. The closure has highlighted ongoing challenges in the metals supply chain, where reduced demand and rising costs are forcing suppliers to scale back operations—even at long-established facilities. – [Automotive News](#)

EV and Zero Emission Technology News

- FAW Group (SZ:000800), China's oldest state-owned automaker, is reportedly close to acquiring a 10% stake in EV startup Leapmotor, which already has Stellantis as a 20% shareholder. If finalized, this would mark the first state-owned investment in a Chinese EV startup, aimed at joint vehicle development, supply chain integration, and global expansion. The move underscores evolving partnerships in China's EV sector, as legacy state-owned firms increasingly collaborate with startups to accelerate their transition to electrification. – [Yahoo Finance](#)
- China's automotive sector has seen strong growth in July, with vehicle production and sales climbing more than 13% YOY. The increase was led by a 26% surge in electric vehicle sales and a 22.6% boost in exports. – [Shanghai Metal Market](#)
- Hyundai Motor Group, including Kia, has announced a strategic partnership with LG Energy Solution (KRX:373220), Samsung SDI (KRX:006400), and SK On to enhance electric vehicle battery safety and technology. The initiative is expected to prioritize advancements in patent development, quality assurance, and fire safety systems. This collaboration will represent a concerted effort to counter China's dominance in the battery sector and bolster South Korea's position in the global EV supply chain. – [The Korea Herald](#)
- Slate, an emerging EV manufacturer, has announced plans to retool a former printing plant in Warsaw, Indiana, for the production of its affordable, modular

electric pickup and SUV kits. The facility is projected to create 2,000 jobs and is slated to begin operations in the fourth quarter of 2026. – [Electrek](#)

- MAHLE has officially launched production of e-compressors for electric vehicle HVAC systems at its Morristown, Tennessee facility. The move marks a strategic shift from internal combustion engine piston manufacturing to electrification, aligning with the company's broader commitment to sustainable mobility. – [MAHLE Newsroom](#)

Human Capital News

- Volkswagen Mexico and the SITIAVW union have reached an agreement for a 4% wage increase in 2025, following initial worker demands for a 14% raise. The deal has helped avert potential strike action at the Puebla plant, avoiding production stoppages and disruptions to the supply chain. – [Automotive News](#)
- In a contested vote, the UAW has won the right to unionize Ford's BlueOval SK battery facility in Kentucky, although 41 challenged ballots remain unresolved and could alter the outcome. A successful union foothold at this key EV battery site may represent a major shift in labor relations in the Southern U.S. and could influence Ford's broader electric vehicle supply chain strategy. – [WSJ](#)
- Lotus (Nasdaq:LOT) has announced plans to reduce its UK workforce by 550 positions following a temporary production halt at its Hethel, Norfolk plant in May. The company has attributed the decision to declining sales and increased U.S. tariffs on British-made vehicles. Production has been slated to resume in September, but Lotus emphasizes that strategic restructuring and diversification will be critical to ensuring its future competitiveness and sustainability. – [BBC News](#)
- General Motors has announced a temporary suspension of two shifts at its Factory Zero plant in Detroit-Hamtramck, effective September 2 through October 6. The move, which will affect around 360 employees and suppliers, is intended to better align production of the Hummer EV and Escalade IQ with current market demand. GM has emphasized that the pause is part of its broader strategy to manage EV output efficiently amid evolving consumer trends. – [Detroit Free Press](#)

Regulatory and Legal News

- In response to Governor Gavin Newsom's directive to intensify California's transition to zero-emission vehicles, the California Air Resources Board has begun preparing new vehicle emissions regulations. The August 2025 report also recommends that the state offset the soon-to-expire \$7,500 federal EV tax credit by providing equivalent state-level incentives to maintain consumer momentum. – [California Air Resources Board](#)
- The U.S. Department of Justice has filed motions to intervene in two federal lawsuits challenging California's Clean Truck Partnership, arguing that the state's emissions regulations are overridden by federal law and therefore invalid and unenforceable. – [U.S. Department of Justice](#)
- Lucerne International has initiated a \$39 million lawsuit in Detroit against financier Lynn Tilton and her affiliated entities, accusing them of fraudulent asset transfers designed to avoid satisfying a previous \$32 million judgment. The legal action has stemmed from a 2018 supply chain dispute, during which Tilton-controlled firms allegedly excluded Lucerne by dealing directly with its Tier 3 suppliers—placing the Michigan-based Tier 2 supplier at serious financial risk. – [Automotive News](#)
- The Automotive Tyre Manufacturers' Association (ATMA) of India has called for urgent policy support, including tax relief and duty-free imports of raw materials, to help the industry remain globally competitive. The appeal has come in response to the U.S. raising tariffs on Indian tire exports to 50%, a move that could significantly weaken India's position in the global market. With manufacturers having recently expanded production capacity, ATMA has emphasized that government intervention is vital to ensure the long-term sustainability of the supply chain and protect jobs in the sector. – [ETAuto](#)

The National Highway Traffic Safety Administration (NHTSA) has launched a formal investigation into more than 1.4 million Honda and Acura vehicles due to concerns over connecting rod bearing failures that could lead to complete engine failure. – [S&P AutoTechInsight](#)

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Endnotes

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3. Ford From the Road, "Ford's \$5B Bet on America: Innovation Meets Efficiency in New EV Platform, Assembly Process and Midsize Truck," <https://www.fromtheroad.ford.com/us/en/articles/2025/ford-affordable-electric-vehicle-platform-midsize-electric-truck>, accessed September 15, 2025.
4. BMW Group, "The Neue Klasse BMW Group Enters A New Era," <https://www.bmwgroup.com/en/company/neue-klasse.html>, accessed September 15, 2025.

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