DUCKER CARLISLE

White Paper

Back to resilient margins

How Europe's motor vehicle OEMs and suppliers can outperform in a persistently turbulent market.

September 2026

Europe faces structural cost inflation, margin erosion and competitive pressure, making a cost-reduction program essential to close P&L gaps

Strong Competition

- China's vertically integrated model accelerates battery, software and industrialization cycles, widening Europe's capability gap.
- Challengers localize high-value activities in Europe, combining lower cost bases with proximity advantages and capturing more of the EV value pool.

Cost Structure

- Value is shifting toward batteries, electronics and software. Areas where Europe carries higher structural costs and greater dependency.
- This shift amplifies Europe's exposure to cost inflation and reinforces the urgency of a general cost-cutting program.

Prices & Margin Pressure

- Europe's price points are being reset by global competitors, shifting customers toward value and compressing margins.
- OEMs and Tier-1s face structural margin erosion as profitability declines while electrification and software continue to add cost.

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European producer margins are down, and are losing global cost competitiveness

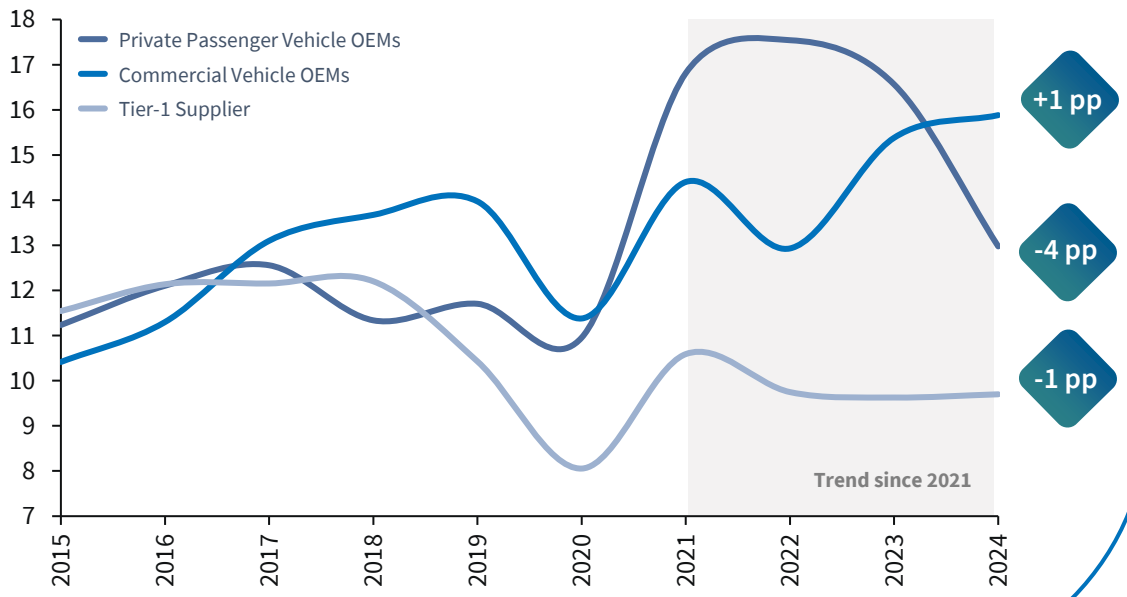
The competitive gap is no longer only about product. It is about cost architecture, agility, and integration.

- EBITDA margins show clear deterioration since 2021.
- Integrated cost architectures and faster industrialization cycles allow challengers to achieve lower costs.
- 2025 Lithium-Ion Battery pack prices are one example, highlighting Europe's cost disadvantage[2].

$108 kWh	$156 kWh	$168 kWh
China	USA	Europe

Margin development of major European players[1]

EBITDA-margin in %, 2015-2024

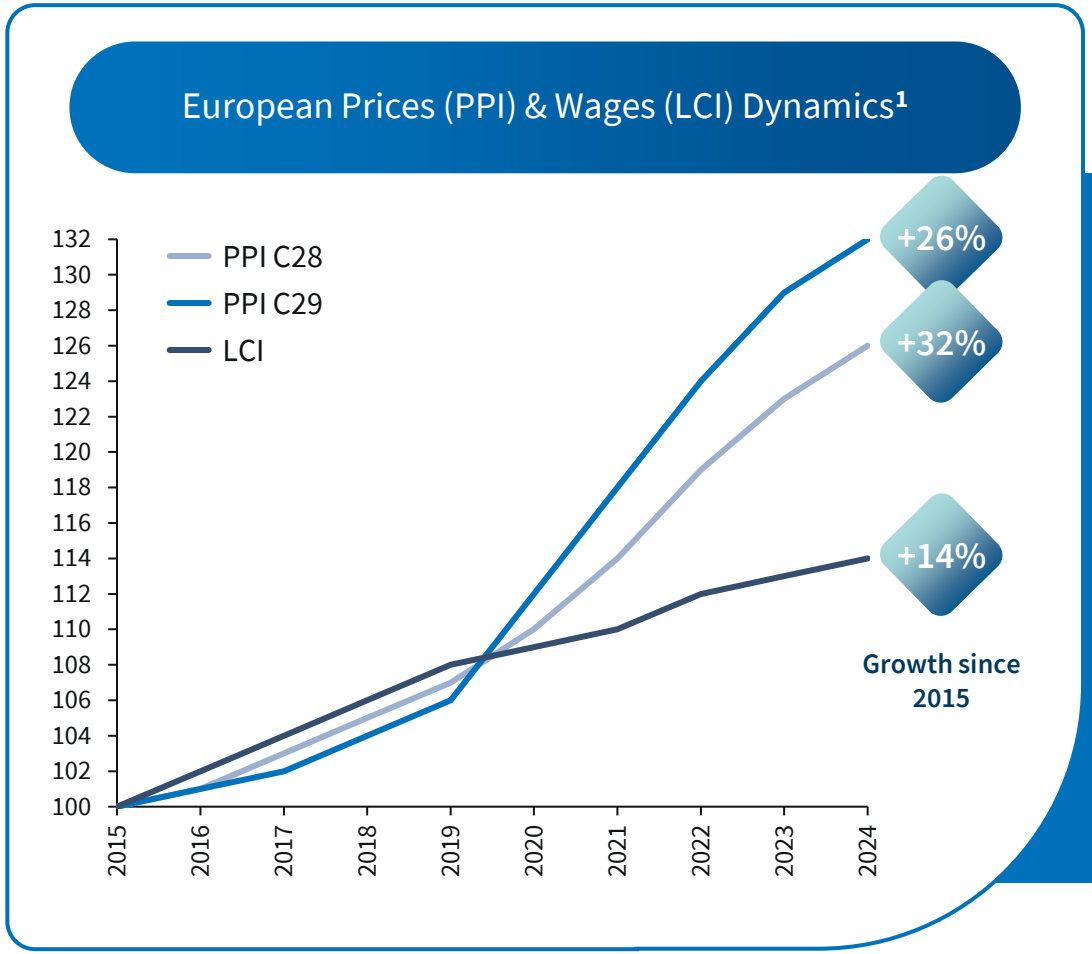


(1) Source: Orbis. Sample of ~15 major European players with available financial information. Commercial Vehicle includes i.e., Construction, Logistic, Transport, Agriculture

(2) Source: BloombergNEF, "New Record Lows for Battery Prices", 2025. Battery pack price refers to the fully assembled lithium-ion pack sold to OEMs.

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European wages are growing at a slower rate than vehicle prices – European consumers can no longer afford expensive “Made in Europe”



Index base year = 100 (2015)
PPI C28 - Machinery & Equipment (Construction, material-handling, agricultural, industrial, and mechanical Tier-1 systems)
PPI C29 - Motor Vehicles, Trailers & Semi-trailers (Passenger cars, vans, trucks, buses, trailers, and integrated Tier-1 components)
LCI - Labor Cost Index (Total labor costs across Europe, covering wages and employer social contributions across all sectors)

Vehicle price dynamics have outpaced European wages.

- PPI for machinery and motor vehicles has risen 26–32% since 2015, while the Labor Cost Index increased 14%. The imbalance reduces affordability, shifting demand toward cost-efficient options.
- Pricing pressure intensifies as competitors (focus on Chinese OEMs) set prices closer to customer Willingness-To-Pay.
- OEM profitability declines, reducing program visibility and tightening commercial conditions.

(1) Source: Data taken from Eurostat (PPI C28, PPI C29, LCI), 2015–2024.

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Europe’s competitiveness needs to be rebuilt through strategic focus, structural adaptation, and relentless execution.

One quick win on this path is reducing costs in the short and medium term to establish a competitive foundation.







To improve competitiveness, major European OEMs are aggressively cutting headcount…

… however, additional savings can be achieved through a more comprehensive savings program that focuses on:

1. Total cost and margins levers
2. Workflows improvement
3. Correlation of cost centers to fields of actions

Source: Reuters, 2026, June "VW weighs up to 100,000 job cuts, four plant closures in biggest overhaul yet". LINK
Brussels Signal, 2026, July "Porsche to cut up to 6,000 jobs amid deepening crisis". LINK
Electrive, 2025, November "MAN announces major job cuts in Germany". LINK

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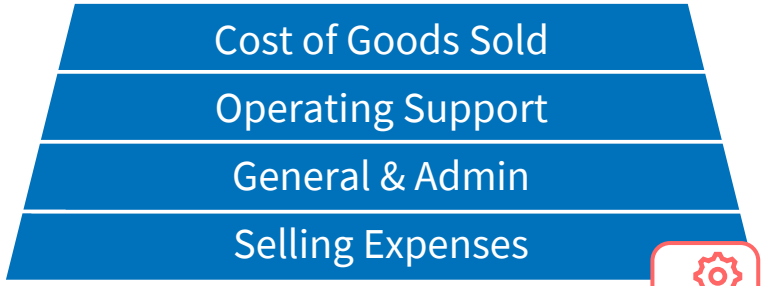
Closing performance gaps for Cost Reduction & Margin Improvement through the lens of the P&L

Project Objective



- Organizations with excessive direct and overhead costs and unclear efficiency levers lose competitive edge
- The cost structure is evaluated and compared against industry standards to detect directional improvement opportunities for margin

Cost Centers



- By structuring the P&L into logical cost buckets, the analysis isolates margin improvement levers and structural inefficiencies

AI-empowered analysis across Cost Centers and Field of Action to capture correlation and dependencies in the data

Fields of Action



By analyzing each area of the organization through the P&L, the delivery scope achieves:

- Transparency
- Impact quantifying
- Implementation readiness

across the entire organization by aligning functions under one view, linking operational drivers to financial outcomes

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From Diagnostics to Implementation Plan, end-to-end in 6 weeks

Project Goal

- **Margin improvement plan** by identifying, quantifying and prioritizing action levers across the P&L
- **Full transparency on cost structures**, margin drivers, value generation and leakage and its interdependencies across the organization
- **Execution roadmap and governance** to ensure delivery and continued oversight of results

Process (high level)

01 – Cost structure diagnostic	02 – Cost improvement action levers	03 – Implementation plan	04 – Implementation
• Analysis of target company cost structure, margin trend and performance • Identification of drivers of margin incl. margin generation, margin leakage. Focus across entire P&L and fields of action	• Assess each cost lever and current state maturity • Identify potential improvement initiatives incl. processes streamlining through AI • Formulate initiatives into concrete action pillars	• Quantify financial impact, feasibility of implementation and timing per lever • Prioritize actions based on impact-effort tradeoff • Develop implementation roadmap with milestones, dependencies between org. areas and timeline	• On-site support through workshops and tools development • Opportunistically, implementation of AI workflows • Facilitation with vendors of systems and IT

Method

- Industry data integration from multiple sources
- Analysis of cost trends and key drivers
- Application of proprietary diagnostic and AI methods on client's business
- Alignment with client business owners
- Close cooperation with project lead team at client-side incl. workshops and progress update
- Execution of SteerCos & Performance Tracking
- Co-pilot support for project leads

Deliverables

- Diagnostic report
- Margin improvement opportunity
- Implementation roadmap

Contingent to a Phase 2 engagement and bespoke to the Implementation Plan

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01 - Cost Structure Diagnostics: Identifying margin drivers and leakage across the P&L by main and sub-categories

	Current [€]	L3Y Trend [%]	Key Diagnostic Topics
Revenue	€€€		• Product mix • Price to volume ratio
Gross Margin	€€€		• Material cost volatility • Procurement process
Personnel Cost	€€€		• Productivity vs overhead
SG&A	€€€		• Organizational efficiency
EBIT	€€€		• Overall margin generation

Assessment process

1

Performance assessment
- Analysis of P&L historical development
- Benchmark cost structure evolution
- Identify structural vs temporary changes
- Assess cost competitiveness across categories

2

Margin driver analysis
- Decompose margin into commercial, operational and organizational drivers
- Evaluate contribution of product mix, price, volume and productivities
- Identify sources of margin generation

3

Margin leakage
- Identify inefficiencies and unit cost increases
- Analyze overhead growth vs business growth
- Identify inefficiencies in processes
- Highlight areas of focus

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02 - Cost Improvement Action Levers: Translating margin leakages into targeted cost improvement initiatives

Sales | Manufacturing | Logistics & Distribution | Corp. Services | Procurement

Current State Maturity



Action pillars

Pillar 1

	Current	Target
Lever 1.1	Average	Best
Lever 1.2	Best	Best
Lever 1.n	Worst	Average

Pillar 2

	Current	Target
Lever 2.1	Worst	Best
Lever 2.2	Average	Best
Lever 2.n	Average	Best

Pillar N

	Current	Target
Lever N.1	Worst	Average
Lever N.2	Average	Best
Lever N.n	Worst	Average

Best Average Worst

Assessment process

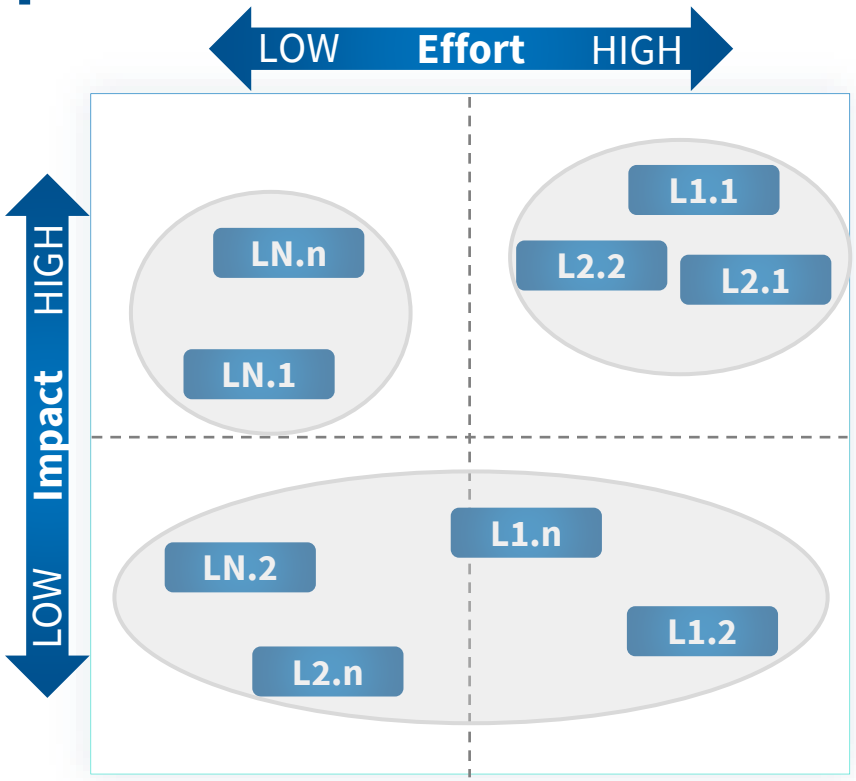
1 Maturity assessment
- Assess performance and maturity across cost levers
- Identify gaps to industry

2 Identification of potential
- Develop improvement opportunity per lever
- Evaluate the potential for process standardization & improvement
- Identify AI use cases to support process analysis and improvement

3 Formulation of action pillars
- Cluster initiatives into pillars of action
- Establish basis for process implementation and value capture

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03 - Implementation plan: Execution roadmap to achieve target cost position



Implementation Roadmap

Lever	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
L1.1								
L2.2								
L2.1								
LN.n								
LN.1								
L1.n								
L1.2								
LN.2								
L2.n								

1 Impact and Feasibility
- Quantify value of levers / initiatives
- Estimate complexity and resource requirements
- Assess interdependencies

2 Prioritization of Levers / Initiatives
- Quantify target cost position
- Rank by impact vs effort
- Identify quick wins
- Define sequence of action

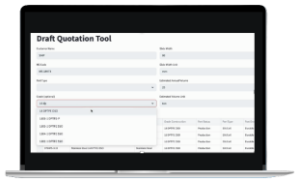
3 Implementation Roadmap
- Define milestones and decision points
- Establish ownership
- Highlight enablers

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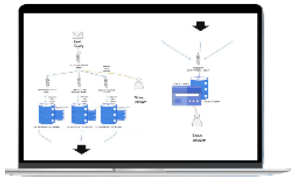
AI edge: Our approach is twofold – inward-looking to optimize project execution, outward-looking to identify opportunities at the client side

Client optimization support

Identify strategic AI opportunities and products that can solve specific challenges within clients' operations.



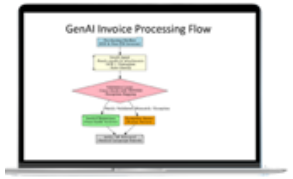
Quote generator



Aftersales and customer support



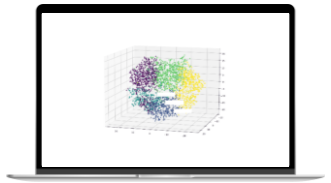
Procurement reconciliation



Invoice management

Project delivery efficiency

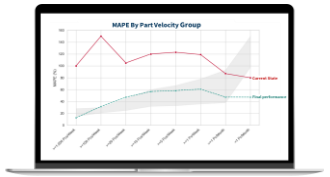
Use AI to execute cost reduction projects through internally developed tools that perform analytical and coordination work.



Revenue leakage



Knowledge management



Process forecasting



Market screening

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We developed and use our methods across a variety of industries; from opportunity identification to implementation

Illustrative examples

	Procurement Spend Optimization	Supply Chain Rationalization	Operations Cost Take-Out
Problem statement	Assessment of industrial manufacturer's potential to reduce spend through procurement optimization	Assessment of engine component manufacturer's ability to reduce costs through realigning distribution network after divestment	Need to improve auto manufacturer's operations cost basis after 30% union wage increase
Approach	Implemented proprietary procurement spend diagnostic to standardize internal processes, identify supplier leverage potentials, and redesign concentration strategy	Conducted global customer needs, capacity, and cost analysis of the client's distribution footprint	Conducted on-the-ground transformation project to reduce costs through lean and train-the-trainer methods
Value delivered	**EUR 1M / 2% in spend reduction opportunities directly implementable by client**	**Final network footprint / rationalization strategy, EUR 10M / 5 – 10% annual cost saving, insource/outsource strategy by region**	**Exceeded program targets, reducing costs by EUR 20M / 6% over six months**

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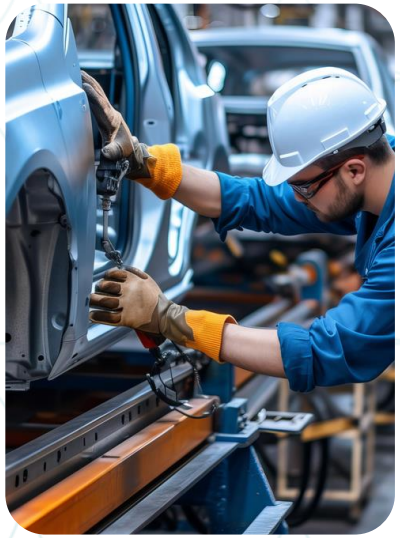
About Ducker Carlisle



DEEP END-MARKET EXPERTISE

We tackle the challenges of complex industrial markets and deliver the clarity our clients need to grow. We bring decades of sector knowledge, tenured teams, and proven methodologies, translating deep expertise into tailored strategies that drive outcomes for our clients.

Our focus industries share defining characteristics: technical complexity, sophisticated buyer relationships, and sectors undergoing transformation through electrification, AI, and supply chain realignment, precisely where DC's depth creates lasting advantage.



AUTOMOTIVE & MOTOR VEHICLE



BUILDING, CONSTRUCTION & INFRASTRUCTURE



HEAVY TRUCK & EQUIPMENT



INDUSTRIAL AUTOMATION



PRIVATE EQUITY

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MOTOR VEHICLE

Our international Motor Vehicle Team combines deep industry expertise with strategic and operational excellence. We support global automotive and transportation companies get products to market faster, increase content by platform and build strong Tier-OEM relationships.

Building on a proven track record in custom research, consulting and M&A transaction support, our team combines analytical precision, entrepreneurial mindset and hands-on collaboration to help our clients improve customer experience, disrupt the market and outperform the competition.



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GLOBAL FOOTPRINT + SCALE

We operate across three continents with offices in every major industrial market. Our global footprint means we deploy quickly, engage local expert networks, and bring sector-specific intelligence to every market we cover - wherever our clients need to grow, compete, or transact.

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350+
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10,000
PROPRIETARY DATA POINTS

190+
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