

EDITORIAL – Seating suppliers make a number of investments

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Interiors have struggled, but restructuring has helped

Magna has recently opened a new automotive seat manufacturing facility in Allende, Coahuila (Mexico). The 108,000 square feet building will employ around 1,000 people once it reaches full production in 2017. Magna will invest USD8 million over the next three years in the facility that will cut and sew the soft trim material used in seats for various automakers.



This year has seen Magna sell its interiors business to Grupo Antolin for USD535 million, whilst retaining its seating business. Since the divestiture, Magna has invested in seating executing a number of transactions in the sector. In November, Magna and Chongqing Hongli Zhixin Automotive Parts Manufacture Co., Ltd. signed a 50:50 joint-venture (JV) agreement to supply complete seating systems and seating components to Changan Ford and other customers in China. Magna is also set to begin production in Sanand, India this month with two units set to manufacture seat systems for Ford India.

Automotive interiors had become a drag on some suppliers' business in recent years. This has triggered a great deal of restructuring and reorganisation in the sector recently. Lear has acquired Eagle Ottawa while Johnson Controls divested a number of units over the last few years, in addition to Magna's offloading of its interiors business. Last year also saw Visteon divest the majority of its automotive interiors business to an affiliate of Cerberus Capital Management.

However, since these structural changes, investment in the sector has picked up over the last few months. In addition to Magna's investments, Brose has recently opened the first part of its new GBP35 million factory in Coventry, United Kingdom. The plant will supply over half a million lightweight rear seat systems for Jaguar Land Rover per annum.

Gentherm is also investing in a new manufacturing site in Celaya, Guanajuato (Mexico), with the new facility tentatively scheduled to open in the third quarter of 2016. This facility will produce the company's seat comfort and industrial products and create 1,500 new jobs.

Such investments are typical of what has been the growing trend of 2015; suppliers buying specific units from other suppliers' businesses to complement their core activity. Interiors has been a particularly active market sector for this behaviour. These restructuring activities and unit acquisitions are intended to have the same effect; suppliers becoming more focused on their core businesses and shedding those units not seen as part of their central strategies. Looking outside interiors, Delphi's strategy is exemplary of the trend whereby its sale of its thermal unit to MAHLE in February was part of its plan to focus on higher margin technology products supporting fuel efficiency, infotainment systems and autonomous driving. The company has slimmed down its business lines from over 100 products to just 33, as a result of systematically looking at each product and making a decision whether to continue, close or sell the business based on performance.

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