

Problems with Returns and Employee Satisfaction

Coburg (14. April 2023) At the meeting of the shareholders and advisory board of the family-owned automotive supplier Brose on March 30 and 31, the management board presented the 2022 financial statement. After several years of stagnation, sales grew to 7.5 billion euros, mainly due to the consolidation of Brose's joint venture with the Volkswagen subsidiary Sitech. 52 percent of turnover were generated in Europe, 27 percent in America and 21 percent in Asia.

However, the return on sales and on capital were at an unsatisfactory level of 1.1 and 1.7 percent, respectively. The inadequate return on investment no longer allowed the family business to finance itself. Therefore, bank loans had to be taken out on a considerable scale. Nevertheless, the equity ratio is above 50 percent. As a future SE, Brose also becomes capital market viable.

Problems in logistics led to an average inventory of 32 working days, with one day tying up around 20 million euros in liquidity.

The shareholders, advisory board and management are also concerned about the motivation of the workforce, which has now grown to over 31.000 employees at 69 locations in 25 countries. This is reflected in extraordinarily high staff turnover. Many employees rightly want the personal, unbureaucratic and pragmatic way of working offered by a family business again. Although Brose has not generated a positive result at its German locations for four years and is not covered by collective bargaining agreements at its major sites in Coburg and Bamberg, the collective agreement of the metal industry was fully adopted.

In contrast to its competitors, the Brose Group employs almost one third of its total workforce at German locations. Compensation for the associated cost disadvantages can only be achieved by significantly above-average performances. For this reason, the shareholders and the advisory board have asked the management to considerably streamline decision-making processes and the organizational structure.

The shareholders, the advisory board and the management agree that to improve the unsatisfactory earnings situation, not only must costs be reduced in production, logistics and administration, but more attention than before must be paid to the return on investment when acquiring new projects and unprofitable businesses must be terminated.

In the current year, the management expects sales of 8.6 billion euros and a stabilization of the global vehicle demand. Following investments of 332 million euros in 2022, shareholders and the advisory board approved investments of 422 million euros for the current year. This will create further capacities in production and administration in other European countries, China, North America and Germany.



The largest single investment in 2022 was the assembly of electric refrigerant compressors in Würzburg for Mercedes-Benz.