



FORVIA

Globally diversified automotive supplier

FIRST BOUGHT

March 2020.

WHAT IS IT?

Previously known as Faurecia prior to its name change in June 2023. A global provider of automotive equipment covering interiors, seating, lighting and electronics, as well as clean mobility technology and life cycle solutions. One in every two vehicles worldwide is equipped with FORVIA technology, and the company has over 80 clients in the automotive industry.

WHY DO WE OWN IT?

FORVIA possesses two key competitive advantages - cost advantage and high switching costs - which enable the company to consistently generate stable free cash flow. The company has been on a positive deleveraging trajectory following a large acquisition in 2022, which added diversification to its customer base and reduced its exposure to internal combustion engine producers, which are at risk of lower demand due to increased regulation/the continuation of green initiatives. The company's diversified customer base mitigates against demand shocks that would negatively impact other regionally concentrated competitors. In addition, we believe FORVIA screens attractively

from an ESG perspective¹, particularly from a climate standpoint where the company has concrete targets in place including a goal of net zero by 2045. Furthermore, the company is well positioned to take advantage of trends towards electric vehicles with market share in clean mobility technologies. Finally, thus far, we feel the management team has executed its strategy well in terms of capital allocation and transparency to investors. The combination of these factors reinforces our strong conviction in FORVIA.

COMPETITIVE ADVANTAGE

Our research on FORVIA has led us to believe that the issuer has a sustainable competitive advantage in the automotive supplier industry, as high customer switching costs act as barriers to competition. FORVIA has deeply integrated relationships with original equipment manufacturers (OEMs) and there are high switching costs (financial, technical and regulatory hurdles) associated with switching suppliers, particularly in the middle of an auto production cycle, which can last upwards of 10 years. FORVIA has built a strong reputation as an established and reliable partner to OEMs, meaning there is a high bar to switch to lesser-known suppliers for mission-critical automotive components and equipment.

KEY POINTS FOR FORVIA

- A globally diversified automotive supplier, specialising in seating, electronics and clean mobility equipment.
- Long-term and deeply integrated relationships with OEMs provide barriers to entry for competitors.
- We maintain conviction in management's ability to execute and deliver continued deleveraging over the medium term.

¹The portfolio does not have a sustainable investment objective. While the evaluation of Sustainability Risks through the analysis of ESG factors is part of the investment process, it may not necessarily result in the exclusion of a security. Please refer to the sustainability related disclosures for information on the commitments of the portfolio:
<https://www.wellington.com/en/legal/sfdr>.

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Please refer to the fund prospectus and KIID/KID for a full list of risk factors and pre-investment disclosures.

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