



Nemak, S.A.B. de C.V.

Fourth Quarter 2019 Earnings Conference Call

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C O R P O R A T E P A R T I C I P A N T S

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C O N F E R E N C E C A L L P A R T I C I P A N T S

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Alejandro Chavelas, *Credit Suisse*

Ronald Dadina, *MUFG*

Marcelo Motta, *JPMorgan*

Alfonso Salazar, *Scotiabank*

Travis Pascavis, *HIMCO*

P R E S E N T A T I O N

Operator

Good morning, everyone, and welcome to Nemak's Fourth Quarter 2019 Earnings Call.

Armando Tamez, Nemak's CEO, Alberto Sada, CFO, and Adrian Althoff, Investor Relations Officer, are here this morning to discuss the Company's performance and answer any questions you may have. As a reminder, today's conference is being recorded, and that will be available on the Company's Investor website.

I will now turn the conference call over to Adrian Althoff.

Adrian Althoff, *Investor Relations Officer*

Thank you, Operator. Good morning, and welcome, everyone. We very much appreciate your participation.

Armando Tamez, our CEO, will lead off today's call by providing an overview of business and financial highlights from 2019, as well as our outlook on 2020. Alberto Sada, our CFO, will then discuss our financial results in more detail. Afterwards, we will open up for a Q&A session.

Before we get started, let me remind you that information discussed on today's call may include forward-looking statements regarding the Company's future financial performance and prospects, which are subject to risks and uncertainties. Actual results may differ materially, and the Company cautions not to place undue reliance on these forward-looking statements. Nemak undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

I will now turn the call over to Armando Tamez.

Armando Tamez, *Chief Executive Officer*

Thank you, Adrian. Hello everyone, and welcome to Nemak's Fourth Quarter 2019 Conference Call.

I would like to begin with an overview of 2019 results and initiatives before moving on to our 2020 guidance and related considerations going forward.

During 2019, we made good progress on strategy execution, delivering higher value-added solutions to our customers while continuing to drive long-term value creation across powertrain, e-mobility and structural applications. At the same time, we demonstrated resiliency in the face of softer-than-expected industry conditions in most of our markets, successfully tapping into efficiency initiatives to deliver results in line with guidance.

In North America, we saw a reduction in volume due mainly to light vehicle production cuts among certain customers in the region. A six-week strike at GM facilities in the U.S. proved especially relevant, resulting in lower-than-expected shipments to the customers in the fourth quarter.

Turning to our other regions, for the most part we saw less favorable industry and macroeconomic conditions than initially anticipated, particularly in Europe and China, where light vehicle production finished down 6% and 8% respectively. Notwithstanding such headwinds to volume, we met guidance for EBITDA, thanks mainly to the progress on efficiencies I just mentioned.

At the same time, we've reinforced our position in new, fast-growing product lines, harnessing our innovation capabilities to support our customer efforts to deliver sustainable mobility solutions. This included winning contracts to supply structural and electric vehicle components worth a total of approximately \$280 million in annual revenue, around 55% of which represented incremental business. With this, our total order book to-date in this segment stands today at approximately \$750 million in annual revenue.

The main highlights from the fourth quarter were contract to supply complex battery housings, electric motor housings and structural parts for a combination of fully electric SUVs and pickup trucks in North America, and to design, develop and produce in China structural parts for an electric, mid-volume sports car of a Chinese global OEM.

During the year, we also advanced with more than a dozen new product launches across our regions in our structural and electric vehicle components segment alone. These included battery housings for two new electric vehicles to be produced in North America starting this year: the BMW X5 hybrid SUV, and the Ford Mustang Mach-E all-electric SUV; battery housings and electric motor housings for a variety of premium vehicles to be produced in Europe, starting in 2020 and '21; and structural components for an all-electric Volvo sedan to be produced in China starting this year.

I am also pleased to share that we were recently recognized by Audi for superior performance in supplying structural components, representing an important step towards reinforcing our operational track

record in this segment. To-date, we have produced more than one million such parts for the Q5 platform with zero defects.

As we have communicated previously, we are making extensive use of existing assets to support growth in structural and EV components. Where appropriate, we're also building new, flexible capacity that can be scaled up depending on customer requirements. Taking into account recent progress in discussions with our customers, we believe that we are well-positioned to continue to capture new business to produce these types of parts in the coming months. As of today, our pipeline of sales prospects in the structural and EV segment stands at approximately \$1.3 billion in terms of annual revenues.

We also had a good year on the sales and marketing side in our powertrain business, winning contracts in cylinder heads, engine blocks and transmission housings worth, altogether, more than \$700 million in annual revenue. In turn, the full-year total for all product lines was just over \$1 billion.

I would also like to highlight our progress in 2019 towards strengthening our performance against globally recognized benchmarks for environmental, social and governance performance. This includes providing continued support for the Sustainable Development Goals set by the United Nations, with a focus on areas of quality education, industry, innovation and infrastructure; responsible consumption and production; and climate action. In recognition of these efforts, we were selected to join two stock Indexes comprised of companies with leading sustainability-related practices: the Dow Jones Sustainability MILA Pacific Alliance Index, and the London Stock Exchange FTSE4Good Index Series.

I would now like to move on to our outlook for the present year, where we see a combination of risks and opportunities in the markets we serve.

Regarding strategy execution, we see several key milestones within reach, including the start of production of most of our backlog of awarded business to-date in structural and EV components; the ramp-up of a new facility in North America, completely dedicated to electric mobility applications; and the launch of new, more complex powertrain applications in South America and Asia. At the same time, we see a substantial risk that evolving industry conditions may create temporary headwinds to volume, potentially putting a damper on our results.

As you may have seen in our guidance announcement issued earlier this morning, we expect a reduction in volume, with a corresponding effect on revenue and EBITDA. In particular, we anticipate the effect of a slowing industry cycle and lower light vehicle production in certain markets, together with continued headwinds to our product mix, as well as to our exports to China.

I want to emphasize that we will continue to work to mitigate the impact of such effects through the implementation of a variety of efficiency and fitness initiatives aimed at ensuring best in class quality, reinforcing best practices across our manufacturing operations; and keeping our organization lean and agile. Additionally, we will maintain a flexible approach to investment, characterized by an intensive focus on existing assets, to target select growth opportunities spanning propulsion and vehicle structure applications.

Given our diversified product portfolio, our track record of technological innovation, and our pipeline of new product launches linked to vehicle electrification, we are confident that we will further reinforce our leadership position in highly engineered light weighting solutions in our industry, while laying an even stronger groundwork for growth over the medium to long-term.

With that, I will hand off the call to Alberto.

Alberto Sada, *Chief Financial Officer*

Thank you, Armando, and good morning, everyone. I will share some additional information on our performance during 2019, and expand on what Armando said regarding guidance for 2020.

During the fourth quarter, we saw overall softer industry conditions in most of the regions where we operate. In North America, light vehicle sales were affected by a tough comparison, as certain customers saw less benefits from new vehicle launches; and, light vehicle production saw a nearly 10 point decline, reflecting the impact of the General Motors strike in the U.S., along with that of lower production at Ford, which continues to revamp its product lineup in the region.

Notwithstanding benefits of strong consumer spending and low interest rates in the U.S., these same factors weighed on the full-year picture as well, causing light vehicle sales SAAR and Nematik customer light vehicle production to finish down 2% and 7% respectively.

In contrast, light vehicle sales in Europe increased 7% on the back of a favorable comparison with the same period last year, when the implementation of new emissions testing standards weighed on the region. Nonetheless, light vehicle production was 6% lower, due mainly to a combination of overall market softening, as well as lower exports to other regions, particularly China.

Nematik's total volume finished down 11% year-over-year, mainly due to the combined effect of the headwinds I just described, together with the effects of engine downsizing and lower sales to certain customers in China, as anticipated in our 2019 guidance. In turn, lower volume and aluminum prices caused a proportionate reduction in revenue. For the full year, volume and revenue followed a similar trend, finishing down 12% and 15% respectively.

During the fourth quarter, EBITDA decreased 22% year-on-year. However, excluding the one-time income derived from a customer settlement last year, EBITDA decreased 18%, explained mainly by the lower volume just described and the effect of the depreciation of the Euro against the U.S. dollar.

During the quarter, the General Motors strike caused a volume reduction of approximately 600,000 equivalent units. This had a negative effect on our results, as its temporary nature limited our ability to adjust our cost. Given that, the total impact of the event to our EBITDA was approximately \$15 million. In its absence, we would have likely surpassed our guidance by a more substantial margin.

During the quarter, we recorded non-cash extraordinary transactions of approximately \$14 million, mainly associated with the impairment of assets of our manufacturing facility in Windsor, Canada, which as previously announced, is scheduled to close by mid 2020. This, together with the EBITDA effect, accounted for most of the \$61 million reduction in consolidated operating income versus last year. Full-year operating income reflected these same factors, finishing down 37%.

Regarding cap ex, we invested \$344 million for the full year. We continued to focus our efforts on optimizing use of existing assets and fulfilling customer requirements for new product launches. This included an increased focus on our structural and electric vehicle components segment, which accounted for approximately 25% of total cap ex.

During the year, we maintained a strong financial position, marking our sixth consecutive year with a net debt to EBITDA ratio below the two times mark. This included healthy free cash flow generation that allowed us to reduce our net debt by a total of \$45 million, despite the top line headwinds I just described.

I would like to emphasize that efficiency initiatives represented a key lever for ensuring a prudent management of our cash flow, as well as meeting our EBITDA guidance for the year. In this regard, we continue to implement a project management office-style approach across our regions, tapping into

structured benchmarking exercises to reduce cost, improve quality and better adapt our organization to meet evolving customer needs.

Moving on to our regional results, lower volume combined with lower aluminum prices caused our top line in North America and Europe to decrease by 19% and 13%, respectively. North America saw the greater impact to EBITDA in relative terms, due to the nature of the GM strike effect, as already explained.

In contrast, revenue and EBITDA moved in tandem in Europe, excluding FX effects and a one-time income in the same period last year. Rest of the World also saw China volume headwinds, which were partly compensated by new product launches in Brazil. However, revenue finished higher on the back of a reclassification of tooling sales. EBITDA for the region was \$4 million higher than last year, aided by a better product mix and efficiencies.

Moving on to 2020, I would like to provide additional color on the assumptions behind our guidance. As Armando mentioned, most of the gap is explained by industry conditions which are affecting our volume outlook in our main markets, with the exception of Brazil.

In particular, we expect to see effects on production for certain North American customers as they shift their vehicle lineups further towards the SUV and pickup truck markets; second, continued lower exports to China as we complete the wind-down of our operations in Canada; and third, a less favorable product mix in powertrain applications in North America.

In our other regions, we see a mix of trends, which may end up more or less balancing out in the year. Regarding tailwinds, this includes the ramp-up of new structural and EV products, primarily in Europe, together with new powertrain product launches in Brazil and China. But at the same time, we see general industry conditions in Europe continuing to weigh on our results. As additional context, I should mention that we have not embedded any effects related to the recent coronavirus situation into our guidance, but our operations in China have remained idle since the Lunar New Year holiday. We have not yet seen any effect in any other regions. It is still too early to say what the ultimate effect might be.

We continue to closely monitor the situation, together with local stakeholders, including customers, employees and government agencies, with a focus on making sure our people and their families remain safe, and are restarting our operations in China.

Taking into account the one-time benefit last year worth \$8 million, we're looking at the \$48 million reduction in EBITDA for the full year, most of which is related to volumes. I want to emphasize that we're taking proactive and prudent measures to address these fluctuations in demand, ensuring that we are prepared as an organization to improve our cost position, while at the same time working in tandem with our customers to capitalize on longer-term opportunities.

With that, I conclude my comments, and we'll now open the call for Q&A. Operator, please instruct the participants on how to place their questions.

Operator

Thank you. At this time, we'll open for the question-and-answer session. If you'd like to ask a question, press the star key, followed by the one key on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may remove yourself from the question queue by pressing the star key, followed by the two key. Again, to ask a question at this time, press star, one on your telephone keypad.

Our first question comes from Vanessa Quiroga with Credit Suisse. Please state your question.

Vanessa Quiroga, *Credit Suisse*

Thank you, good morning. My question is regarding your guidance and the decline that you are expecting in EBITDA. Would that be mostly related to the legacy business declining significantly? What's your insight, guidance, for the business on electric vehicles and the structural parts included in that guidance? Thank you.

Alberto Sada, *Chief Financial Officer*

Yes, Vanessa. Our guidance incorporates different effects, as we've discussed. On one side, we have the positive effects of the ramp-up of structural components and EV, particularly in Europe, as was indicated. But also, the effects that I discussed related to industry. Some of those were already seen in 2019. There are three major effects, most of them in North America, which account for the majority of the volume contraction that we're seeing for 2020, and they have to do with reduction in exports to China, with softer industry conditions overall, and a mix change in the region, which is affecting the products that we're delivering.

All in all, we see negatives mainly on the powertrain side, and positives on the new line of business.

Vanessa Quiroga, *Credit Suisse*

Okay, and is new business generating higher EBITDA per unit?

Alberto Sada, *Chief Financial Officer*

Yes, the new business is gradually ramping up. That should be accretive to our EBITDA. But certainly, as we reach maturity and full volumes, those EBITDA margins of those new products will be—our expectation is they're going to be a little bit higher than the traditional business.

Vanessa Quiroga, *Credit Suisse*

Okay, so in the beginning, just to be clear, during the ramp-up of that business, is the margin lower than legacy, comparable, or is it higher from the beginning? Also, is it possible to know the mix in the EBITDA that you are guiding, as to how much is coming from new business and how much from legacy? Thank you.

Alberto Sada, *Chief Financial Officer*

Yes, we're not disclosing the different EBITDA impacts specifically between the ramp-up of the new business. New business has launching (inaudible) as any other product that we launch, so initially those margins tend to be lower as we engage in those product launches, but ultimately the margins even out to the expected level. As I indicated, on this new line of business, we expect higher-than-average margins going forward.

Vanessa Quiroga, *Credit Suisse*

Okay, thank you.

Operator

Our next question comes from Alejandro Chavelas with Credit Suisse. Please state your question.

Alejandro Chavelas, *Credit Suisse*

Hi, thanks for taking my question. Just following up on Vanessa, regarding what do you expect from the new business line for 2020 in terms of percentage of volumes; could you—would you be prepared to disclose a number related to the structural and electric vehicle, as a percentage of the total portfolio savings (phon) for something like that, for 2020 or 2021?

Armando Tamez, *Chief Executive Officer*

Yes. Yes, Alejandro, this is Armando. We are expecting this year to reach revenues on EV and structural components in the range of about \$300 million, which will be approximately 8% of our total revenues. This is almost double than what we have in the previous years, so we are ramping up. We ended last year with about \$160 million worth of the new business, and it's growing.

We are not able to give you what is the figure for 2021. Later on, we will share, we will have the alpha and (inaudible) scale for March, and we will be able to share our forecast for the next five years.

Alejandro Chavelas, *Credit Suisse*

Understood, thanks, Armando. The second one is, what positive benefit, or what benefits in EBITDA are you expecting from the closure of Windsor for 2020 in your guidance, or is it neutral for EBITDA?

Alberto Sada, *Chief Financial Officer*

Well, in 2020 we feel—I mean, that's the year where we will be shutting down the operation, so that's a transition year phase. It's already incorporated in our guidance, the different effects. It should be neutral, (inaudible) from the asset type point of view, I mean, this is what we're aiming to restructure our capacity.

Alejandro Chavelas, *Credit Suisse*

Understood. Thanks a lot.

Alberto Sada, *Chief Financial Officer*

Thank you.

Operator

Our next question comes from Ron Dadina with MUFG. Please state your question.

Ronald Dadina, *MUFG*

Yes, hi. My question is mainly with regard to the impact of the coronavirus. Just a few related questions; is your plant in China currently operational, and in a worse-case scenario, if the plant gets shut down for maybe a few weeks or a few months, what's the impact? If required, can you source the same parts from other plants, globally, and supply in China? If you can just explain the overall impact, I would appreciate it. Thank you.

Alberto Sada, *Chief Financial Officer*

Thanks, Ron, for your question. Right now, the government in China ordered most of the auto suppliers, as well as the OEMs, to stop productions for the situation that they are facing, the health situation that they are facing. We're expecting to restart next week, as well as our customers. That of course, may change, and we don't have, let's say, control over that, which is, we're following what the government orders.

I think it's important also to remind you that our revenues in China represent only 5% of our total sales for the Company. Related to some info that we may have, it's limited to basically tooling, that it is not critical for us. We also buy from China for certain regions, certain inputs like liners, but we have enough material at least to cover for the next three months. At the same time, we have other resources in other regions that we will proceed, in the event that this crisis takes a little bit longer.

Ronald Dadina, MUFG

Can you supply to the OEMs in China from other plants, globally? Also, what's the likely impact on your EBITDA because of the current stop in production?

Alberto Sada, Chief Financial Officer

We have, in some instances, a commonality with some global customers who make the same parts in different regions, but I believe that, at the end of the day, our Chinese plants, both one located in Nanjing and the other one in Chongqing, which by the way, one is—it's about 600 kilometers, and the other one is about 900 kilometers from the critical area. I think what we're expecting is that, eventually, the OEMs will resume production, and we will supply them locally. We don't expect that we will be the only supplier affected. I think that this is a major issue, and in the event that this continues, it will basically chop down the entire automotive industry in that country.

Ronald Dadina, MUFG

Okay, and then impact on EBITDA?

Alberto Sada, Chief Financial Officer

As I indicated, I think it's too early to estimate what will be the impact. Certainly, what we are seeing, because there are certain provinces that are still, today, sending vehicles (phon). What we are expecting is that once the Chinese government gives the green light to start production, especially the OEMs and the auto parts suppliers, that they will start at full speed to recover the inventory losses that they have unfortunately been experiencing due to this health situation.

Ronald Dadina, MUFG

Thank you.

Alberto Sada, Chief Financial Officer

Thanks.

Operator

Our next question comes from Marcelo Motta with JPMorgan. Please state your question.

Marcelo Motta, JPMorgan

Hi, thanks very much for taking my questions; two questions as well. First one, you comment about China, and you say it represents about 5% of total sales. I guess, this is related to the Rest of the World operations, but you also mention that guidance, and the fact that volumes in North America are down, as a consequence also of lower exports from the U.S. to China. Just wondering, how much your North America business is related to exports to China, because it could possibly be higher than this 5%?

The second question is regarding cap ex. There is a reduction on cap ex when you look at the guidance for 2020. Just to understand, where is the Company putting (phon) investments; is it relevant for maybe you're looking more on the forward trends, or even on the EV and structural component, that there was a reduction in investments for 2020 as well? Thank you.

Alberto Sada, *Chief Financial Officer*

Yes, Marcelo, related to your first question on China, you're correct. The China operations for us represent close to 5%, and that's embedded within the Rest of the World segment that we reported, which is about half of that segment. But we also have an effect from China due to exports from the region, and as we highlighted those in 2019, 2020 represents roughly about 1% of our consolidated revenue, our exports from North America to China. That's the one that we'll be phasing out due to the closure of the Canadian facility.

Armando Tamez, *Chief Executive Officer*

Marcelo, related to the cap ex view that we're setting for the guidance for this year, we're expecting to invest approximately \$290 million, which, it will be approximately 30% dedicated to the new product lines, structural components as well as EV. I would say, more than two-thirds out of this 30% will be for EVs, one-third for the structural parts.

As I indicated during my presentation, we are trying to focus our efforts in reusing existing assets. We have capacity, open capacity in almost every region, so we are taking advantage of that. That's why we have been able to get new business and continue growing without making significant investments as we did several years ago.

Marcelo Motta, *JPMorgan*

Perfect, thank you very much.

Armando Tamez, *Chief Executive Officer*

Thanks.

Operator

Thank you. Our next question comes from Alfonso Salazar with Scotiabank. Please state your question.

Alfonso Salazar, *Scotiabank*

Thank you. I have a question on the (inaudible). What I want is to separate the medium-term and the long-term trend (phon) and focus more on the medium-term, because the electric vehicle penetration is still low, and the (inaudible) drastic change in the speed at which (inaudible) your market share. We can assume that, at least for the next decade, a vast majority of cars can use internal combustion engines.

When you and your key clients look at that piece, specific for you—let's say, the next 10 years, how likely, and how (inaudible) is it to continue to invest in internal combustion efficiency to tackle the (inaudible) environment and regulations in a product that eventually may fade out? Do you see different approaches to these questions across your clients?

If you can provide some color, for example, if you see some of your clients trying to move faster to EVs or some others considering that the ICE (phon) efficiency is the way to go? If you can provide some color on this, and if you can, outlook for the industry, that would be very helpful. Thank you.

Armando Tamez, *Chief Executive Officer*

Yes. Well, I think that's a good question, Alfonso. First, I think, just to remind you, we have three different main markets. The first one, and most important, is North America; the second is Europe; and third, Rest of the World. We see vehicle regulations, different requirements in every region.

We have the highest, or the toughest regulations today for CO2 emissions coming from Europe, and the second is in China. We see the third, the U.S. I think we have mentioned already, on the previous Administration in the U.S., they have higher requirements for fuel efficiency. With the current Administration in the U.S., they have lowered that.

We will see significantly higher penetration in China as well as in Europe for electric vehicle components. But related to your question, absolutely, all customers have continued making improvements on the internal combustion engines to meet new regulations. In Europe, I think they are investing, and as we speak, we are getting new orders for new internal combustion engines.

We have just finalized a very detailed study from an external consultant with a very high reputation in which we are having some different scenarios about how the electric vehicles will evolve over the next 10 years. I think we are preparing our Company to position ourselves as leaders, not only in the internal combustion engine, but also on the EV side, as more electric vehicles become more affordable, and certainly, customers start buying them. But we see significant, more penetration, as I indicated, mainly due to regulation issues in China as well as Europe.

We think that...

Alfonso Salazar, *Scotiabank*

(Cross-talking).

Armando Tamez, *Chief Executive Officer*

...significantly more retails (phon) of what I was mentioning with the specific previews during the alpha date.

Alfonso Salazar, *Scotiabank*

(Inaudible) perfect, thank you very much.

Armando Tamez, *Chief Executive Officer*

Thank you.

Operator

Our next question comes from Travis Pascavis with HIMCO. Please state your question.

Travis Pascavis, HIMCO

Oh, hi everyone. I was just wondering, could you share with us your capital distribution plans and expectations for 2020?

Alberto Sada, Chief Financial Officer

Yes, hi, Travis. Certainly, we'll have our General Shareholder Assembly, end of February, and that's where the dividend distributions will be approved and proposed. Right now, we cannot share it, but they will be done by—within the next couple of weeks.

Travis Pascavis, HIMCO

Got you. Any particular strategy that you think about in terms of how we should think about distributions, relating to either net income or any other performance-based metrics?

Alberto Sada, Chief Financial Officer

No. As we have done in the past, remember that we have kept ourselves within a leverage ratio that stands within a band of 1.5 to 2.5, with a target to be more on the lower side of the band. You're going to see that, together with the cash needs of the Company from a strategic point of view, is what determines how much we will propose to distribute as dividends. But ultimately, it will be up to the General Assembly to approve those elements in the next couple of weeks.

Travis Pascavis, HIMCO

Great. Just turning to the performance, can you refresh our memory of your top five customers historically, but then also, given with the new product wins, how that may be evolving? I mean, are your new wins with new OEMs or are they with your larger customers in the past?

Armando Tamez, Chief Executive Officer

Yes, related to new customers, certainly we are, as we speak, gaining contracts with new customers, new OEMs, as well as with companies that we have been doing business for many, many years, including some new companies that have come into the market, especially on the electric vehicle components—companies which in the past, we didn't have relationships. I think we're building this type of trust, and we are getting new (inaudible).

Travis Pascavis, HIMCO

Okay. The guidance you laid out very nicely, the three different components that are driving the North America weaker, I guess, if I think about the mix change, does that imply that your penetration in light trucks is lower than in cars? Is that the way to think about that?

Armando Tamez, Chief Executive Officer

No, related to that mix change effect, I mean, that happens from time to time. Depending on how the production schedules from our customer take place, there could be situations where there could be higher production of vehicles but we have a little bit less content than other ones. It could be issues related to

different types of transmissions or different powertrain, that ultimately end up with less amount of parts per vehicle. That's also an effect, unfortunately, we're seeing in 2020, but that's a temporary effect, and we don't see that—or we see that most likely reversing going forward.

Travis Pascavis, *HIMCO*

Okay, great. If you can just indulge me with one last one; with the Ford changeover and phase out of its vehicles, its passenger car, is that something that's behind you now, let's say, end in the first quarter, or is that something that we should continue to see throughout 2020?

Armando Tamez, *Chief Executive Officer*

Yes, I think Ford is in the process of launching new products that will replace some of the vehicles that they decided to exit, especially on the small and midsize segment. We're optimistic that, eventually, they will be successful and recover (inaudible) that they had before. That applies not only to Ford, but also to our main customers in North America, including GM, as well as FCA.

Travis Pascavis, *HIMCO*

Got you. Okay, thank you very much.

Armando Tamez, *Chief Executive Officer*

Thank you.

Operator

Thank you. Just a reminder, to ask a question at this time, press star, one on your telephone keypad. To remove yourself from the queue, please press star, two. Thank you. We'll pause for a few moments to see if there are any questions.

Ladies and gentlemen, there are no further questions at this time. I'd like to turn the conference back over to Mr. Althoff for any additional or concluding remarks. Sir?

Adrian Althoff, *Investor Relations Officer*

Thank you, Operator. I would just like to thank everyone for participating in today's call. Please feel free to contact us if you have any follow-up questions or comments, and have a good day.

Operator

Thank you. This concludes today's conference. All parties may disconnect. Have a great day.