IN GERMANY, THE IDEA OF

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The call for a reduction in CapEx seems to be common sense right now. What are the arguments against it?

There are two main reasons why a one-sided focus on reducing CapEx is problematic in the medium to long term: firstly, because CapEx cannot be viewed in isolation. It always interacts with other target variables, such as sustainability and total cost of ownership, leading to inevitable trade-offs. In this respect, a focus on CapEx alone from a cost perspective is flawed if these conflicting objectives exist. Secondly, the reduction of CapEx can become problematic if the ability to operate modular and reusable machines as well as systems for different products, customers and applications is lost as a result. This is because any machine that exceeds the optimal, cost-effective configuration for its application automatically incurs higher investment costs, resulting in more CapEx than necessary.

Conversely, one could argue that an investment in equipment is always also an investment in certain structures and capabilities, through which one builds up additional barriers to market access and immunizes oneself against competition ...

Yes, but only as long as the orders arrive or are called off, on the assumption of which a new line or machine was planned, purchased and configured. This is often not the case, especially in industries with strong dependencies between suppliers and manufacturers, such as the automotive industry, despite corresponding promises and contracts. If it's not possible to design systems flexibly for different applications, this can lead to a low-cost, CapEx-optimized line coming to a standstill – because it cannot be used elsewhere due to its specifications.

What conclusion can be drawn from this?

The conclusion is not to attempt to avoid generating CapEx entirely. Rather, it is about finding the optimum balance between minimal CapEx and the greatest possible flexibility and

reusability of the systems. It is not about buying a machine that can do everything, but about creating a setup that allows the invested lines and systems to be used in different contexts, such as within a plant network, if needed. This approach may require bearing more CapEx to achieve this flexibility and multiple uses. The key question is: who bears these additional costs? While such an investment may be beneficial for the company, it could be a financial disadvantage for an individual plant, especially if that plant does not benefit from the machine's multiple uses. This creates a conflict between the local and global optimum.

What could a solution look like?

In the future, more companies will adopt models where they do not own certain systems or system types but use them through rental or operator models. In this model, individual stations within the company's production are outsourced to service providers who handle specific production steps under defined conditions and quality requirements, billing per part or per hour. As with contract logistics, companies do not incur any CapEx costs; instead, the services are treated as operating costs.

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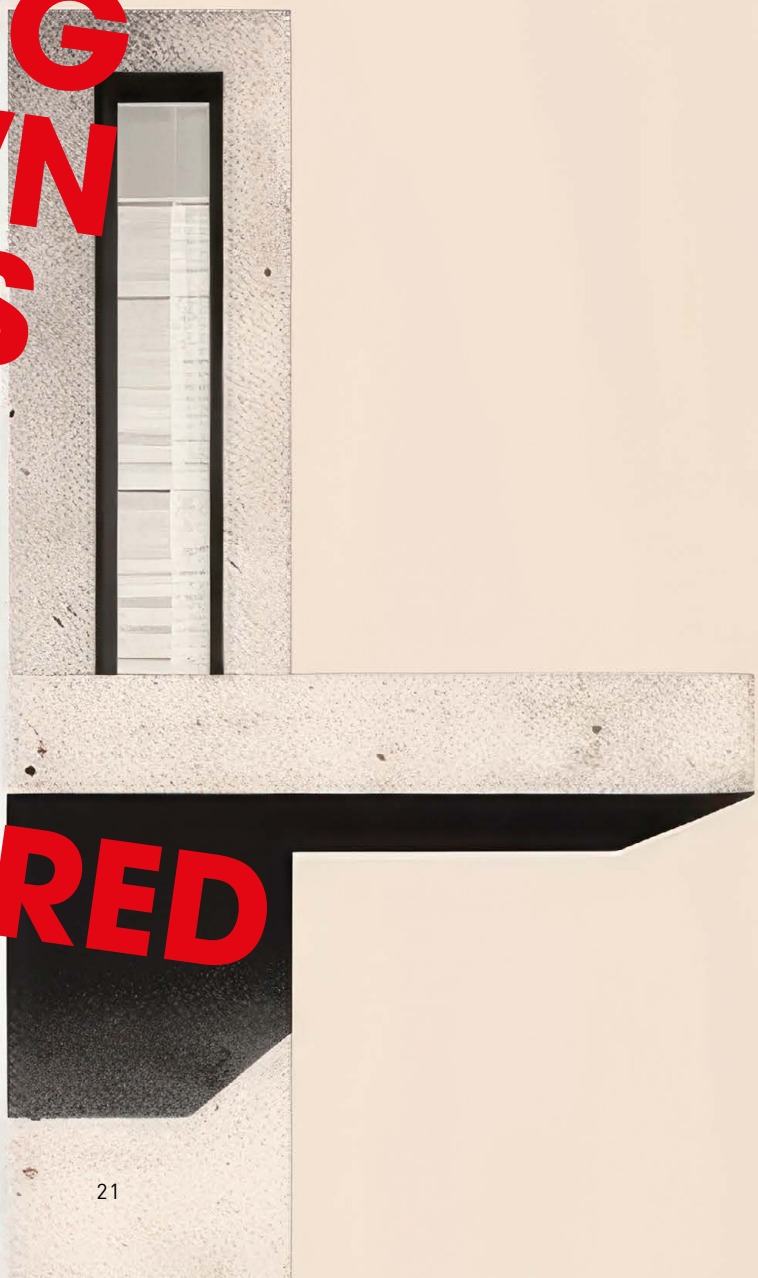

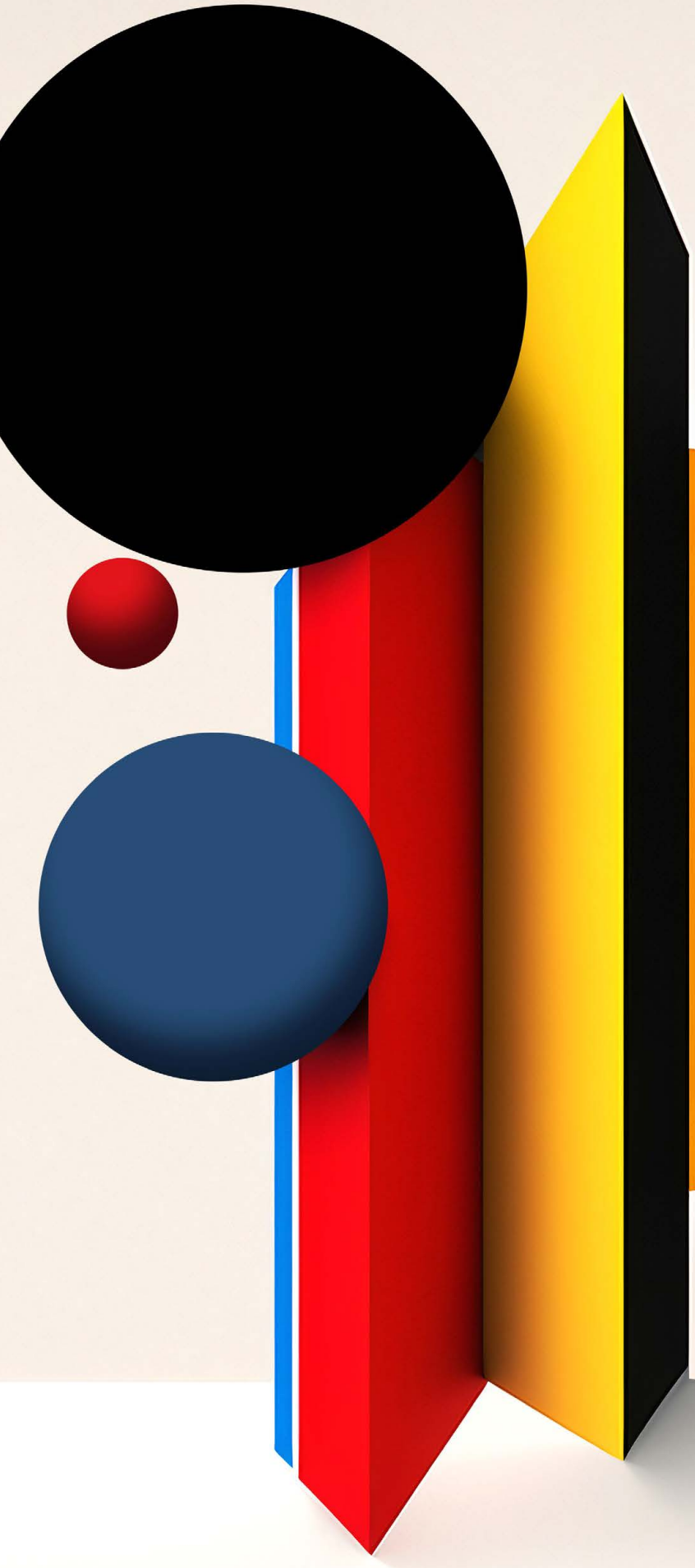

Doesn't the flexibility of not having to operate your own systems lead to new dependencies?

Of course, but the crucial question is: where do you buy in these dependencies? There will always be core service areas that are so differentiating and value-creating that you don't want to give them up. As a result, you will continue to own the associated machines and production technologies. However, there will likely be parts of production where it makes sense to outsource to someone who can better manage, balance, or make the manufacturing service more flexible for various reasons.

In other words, a kind of contract manufacturing for certain parts of production. Is the German industry ready for this type of model?

This is certainly viewed critically in many cases. In Germany, the idea of having to own things is still very firmly anchored. Not only in industry, but also in society. The situation is very different in other regions of the world, as can be seen from the examples of Apple and Foxconn. In this respect, the current focus on CapEx reduction in this country is probably also due to the fact, that for years people have not looked at an optimal CapEx balance. Instead of this, each plant invested in its own lines instead of planning flexibly across the entire production network. Here we should start as well, when talking about the possibilities for optimizing CapEx.

Reducing CapEx will free up capital, but does this make sense given the current high inflation rates worldwide?

The problem we see now is that there isn't enough money available for important transformation projects. Every euro that is freed up by a CapEx reduction, even if it is only worth 0.96 euros afterwards, can be used for measures that would otherwise not have been possible. Even if only to increase profits.

What's more: in some areas today, you're lucky if you get any machines at all. In the case of machines for battery factories, there is currently not enough supply on the market to meet demand. In addition to raw materials and materials, machines are also in short supply. Companies are prepared to spend more money to secure scarce resources, even if it means higher investment costs. Therefore, it is worth taking a more nuanced view of CapEx beyond just reduction.