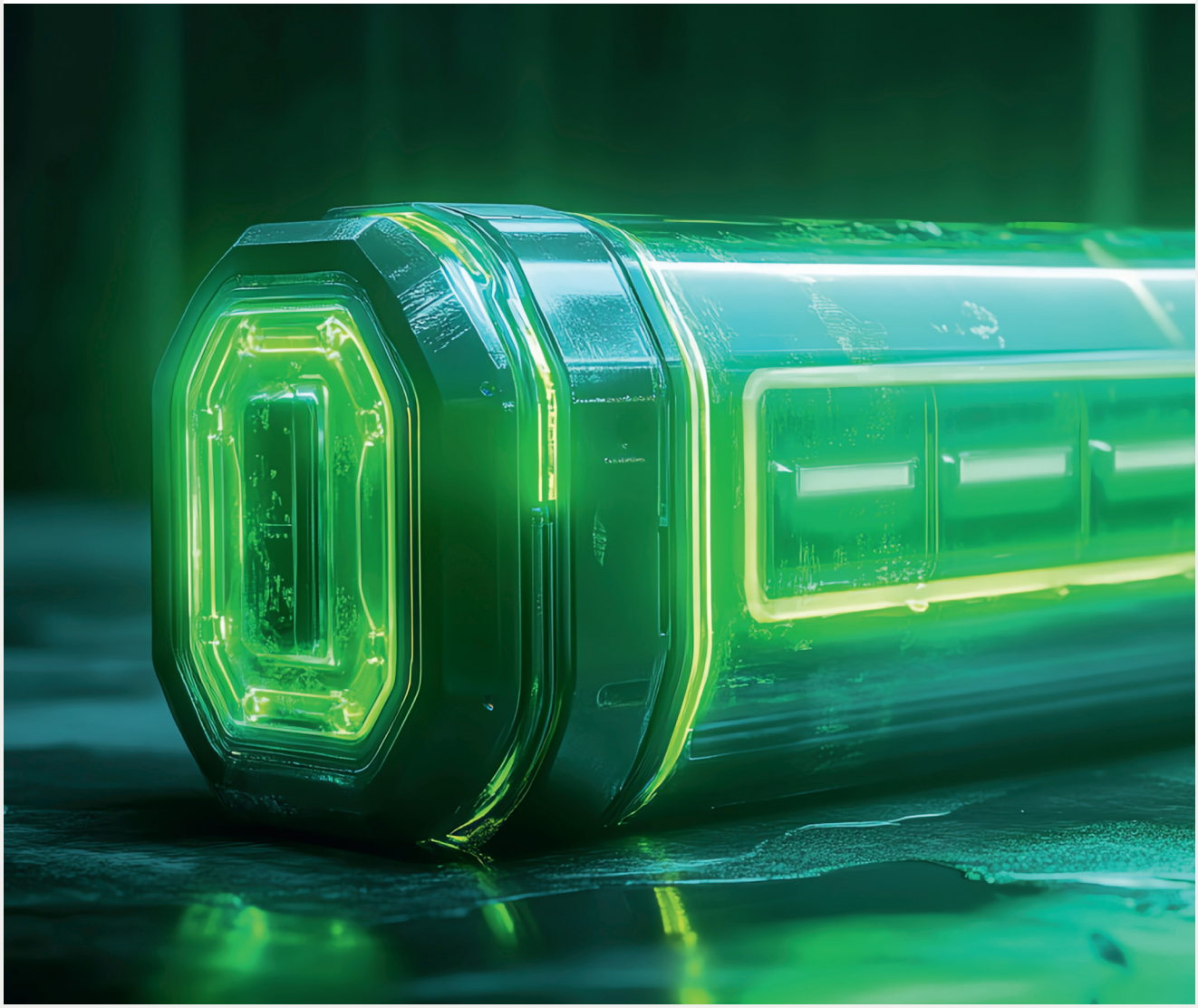
BATTERY MARKET IN GERMANY IN TRANSITION

Time-shifted and structurally different – the special crisis profile of the German battery market and the role of the investor landscape



Analysis of market participants

The fact that, despite the described structural risk situation (see column on the right "Initial situation"), no significant market consolidation has taken place so far is an interesting reason to take a closer look at the current situation. What are the reasons for this? To what extent can structural changes in the market be expected in the foreseeable future? And what measures should battery companies already take today in view of this?

The currently absent consolidation of the battery market is primarily attributable to one fundamental factor: the investor structure underlying the companies. The majority of battery companies in Germany are supported by external capital providers. These investors play a central role in the current market phase as they provide liquidity and thus enable the survival of companies even in economically difficult situations.

They often come from the automotive industry or the energy sector. The reasons why they engage in battery companies are often similar: they want to build technological competencies, leverage innovation potential, and prepare themselves against future bottlenecks in their supply chain. To achieve this, joint development roadmaps, operational integration to utilize synergies, and agreements on access to sales channels are necessary.

Especially in a market environment characterized by change and uncertainty, strategic investors think significantly more long-term. Their close connection to industrial value chains makes them more willing to endure temporary dry spells – trusting that the market will develop positively in the long term and that their commitment simultaneously secures their own business.

Financial investors, on the other hand, primarily pursue a return-oriented investment logic. These capital providers support companies especially when they have already invested significant funds and want to avoid a failure. This can lead to further financing rounds in the short term, which are often tied to clear conditions – such as successful scaling or a convincing exit perspective. Such investors are generally less interested in the long-term development of industrial competencies. Their support is therefore also significantly more vulnerable to economic cycles and market-specific factors.

Initial situation

The battery industry and the associated market environment in Germany are in a phase of structural uncertainty. This affects all industries whose products are based on battery technologies: ranging from the home storage market through battery systems in commercial applications, large-scale storage, to the e-mobility market. Although there is still great dynamism in research and development for technological advancements as well as in shaping the market. The latter refers not only to regulatory and economic framework conditions but also to the rapid development of new technologies, the continuous opening of new electrification sectors, and the constant reorganization of market participants.

However, the domestic market is increasingly coming under international competitive pressure, while simultaneously experiencing clearly noticeable economic influences. The concrete challenges for companies are multifaceted. On the one hand, the demands on cost competitiveness are rising; on the other hand, technological developments require significant investments and a clear strategic orientation. In addition, increasingly demanding customer expectations and the necessity to assert themselves in global supply chains and innovation networks are emerging.

In view of this, many companies in the battery market – regardless of their position in the value chain – are under strong pressure today to prove their economic and technological legitimacy. Although an open market consolidation has not yet occurred, a sober market understanding raises the question of whether this is still an expression of stability or whether the market consolidation is only delayed in time.

The delay in timing is particularly attributable to the underlying investor structure that shapes the majority of battery companies in Germany and which is discussed in more detail later in this whitepaper.

It can already be noted in advance: there is urgent need for action for many market participants. Existing business models need to be objectively questioned and new growth opportunities strategically explored. This whitepaper shows exactly how this can succeed.

Although many financial investors see the long-term potential of the battery industry, a split is emerging: some are willing to endure dry spells and focus on sustainable growth to avoid losing their invested capital. Others see the uncertain market environment as a sign for an orderly withdrawal.

In view of this, the question arises as to how sustainable the current market environment actually is. From the perspective of the expert team at Haselhorst Associates, it is less a stable consolidation at a high level but rather a phase of delay. This arises mainly because many market players – driven by the conviction of being part of a future technology – are willing to endure existing challenges.

However, this visionary optimism can only last in the long term if it is followed by substantial results. Those who want to survive must now consistently work on the decisive success factors.

With increasing economic uncertainty, rising capital requirements, and growing demands on operational results, it can be assumed that the environment for many market participants will become significantly more challenging. A genuine market consolidation will then be inevitable. For decision-makers in battery companies, this assessment already results in a concrete need for action today.

Recommendation for battery companies

To set the necessary course early for long-term successful survival in the battery market, decision-makers should immediately begin to critically question their own business model and, in particular, realistically assess the relationship with their owners. Is the investor operationally involved? Does he open access to markets or development resources? Is there a strategic dependency – or is it merely a temporary financier? Is the company able to survive on its own or is it essentially kept alive by external financing? And how long can this support still be maintained?

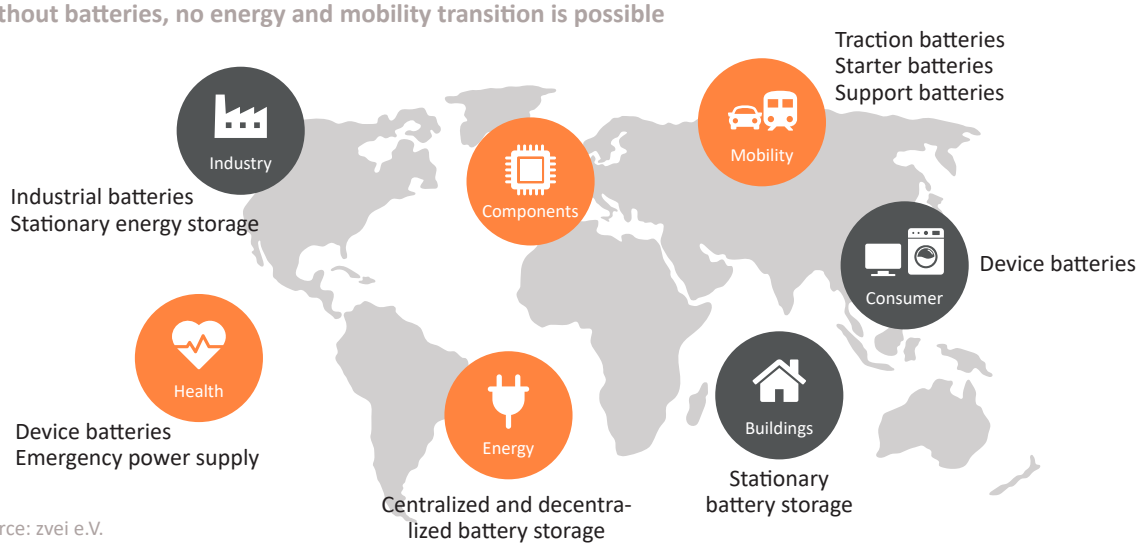
For many companies, this now means: results must be delivered. Investors expect marketable products that can compete technologically and price-wise with Asian companies – financial investors especially, but strategic investors as well.

Outlook

In summary, it can be stated that the consolidation in the German battery market has not failed but has merely been postponed. Companies that today have no clear strategic or technological differentiation will not be able to assert themselves – even if capital is still available at present. It will be crucial to establish robust business models that endure beyond the mere investment horizon. Various potential success factors can provide orientation to companies. A separate whitepaper provides detailed information on these. The actual market consolidation will not occur abruptly but will nevertheless be consistent. It will primarily affect those companies whose foundation lies less in operational strength than in short-term capital availability.

Batteries – a constant companion in all areas

Innovative battery technologies play a key role on the path to a climate-neutral society. Without batteries, no energy and mobility transition is possible



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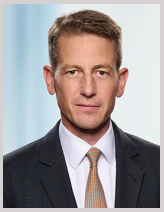
Haselhorst Associates is one of the leading restructuring consultancies in Germany and part of the growing H&Z Group. The team of around 35 internationally experienced consultants and partners develops tailor-made solutions for its clients: from analysis through project planning to implementation. In addition, Haselhorst Associates supports municipalities, utilities, and companies in their strategic positioning as well as operational implementation around urban transformation. A central instrument of this work is the annually prepared Smart City Ranking, which provides a comprehensive and well-founded data basis for the development of the 400 largest cities in Germany.



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