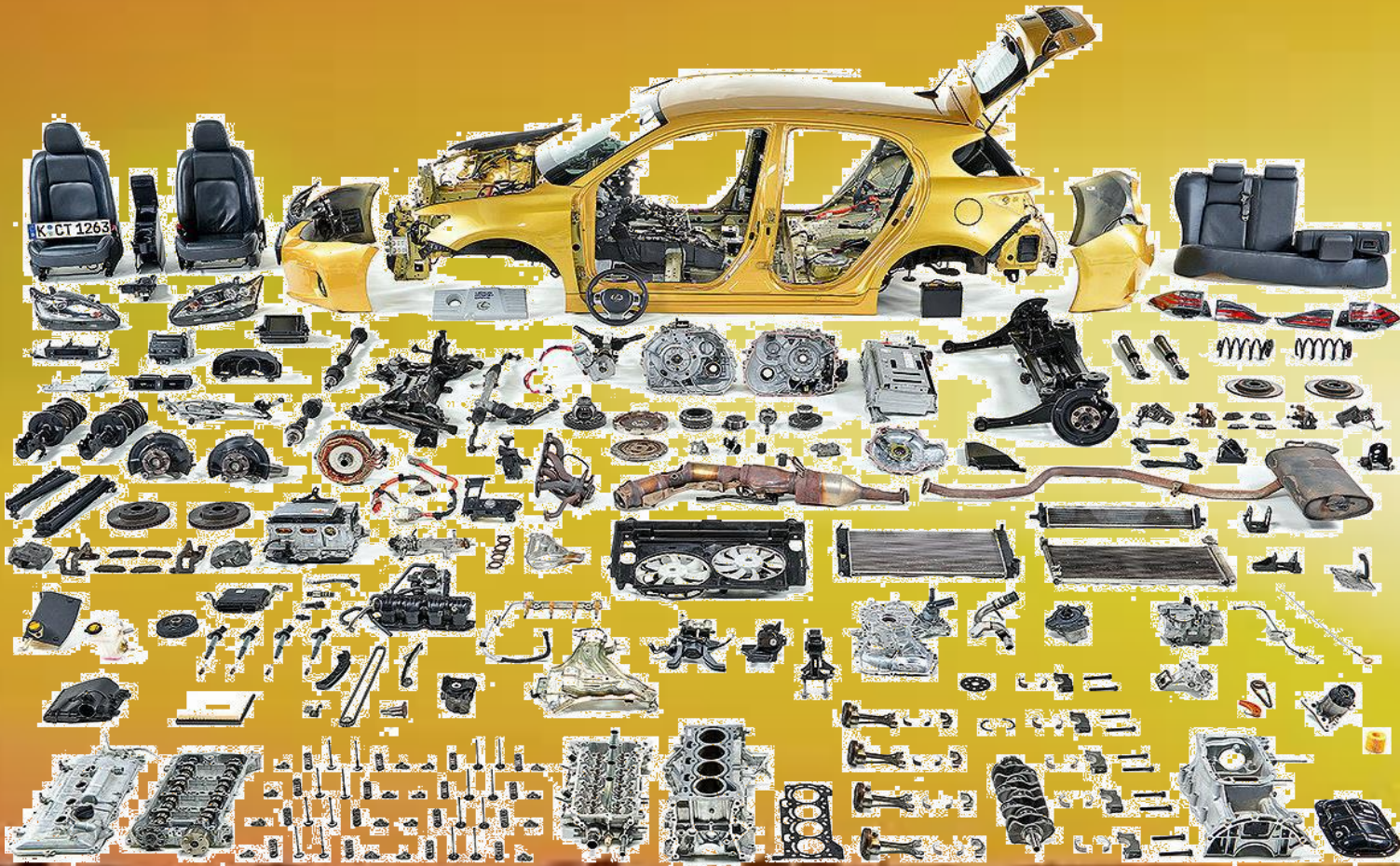


Trends Developments and Opportunities in the USA Automotive Aftermarket



Fotios Katsardis
CEO-President
Temot International Autoparst GmbH


Current Network (05/2018)

10,3 B€
8,5 B€ PC **1,8 B€ CV**

>35.000
employees



>20.000
concept
garages



76
countries




5
continents


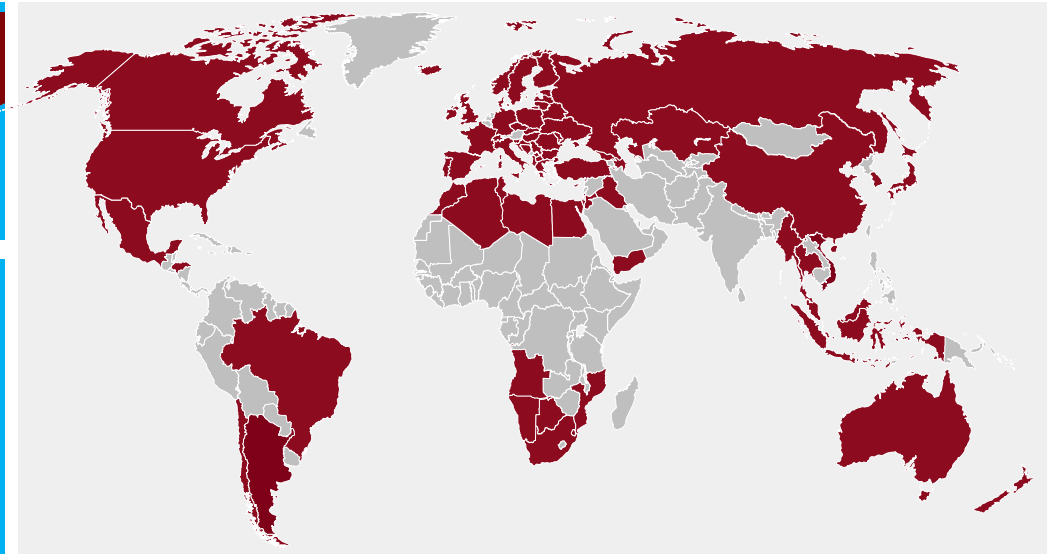
77
shareholders



55
PC

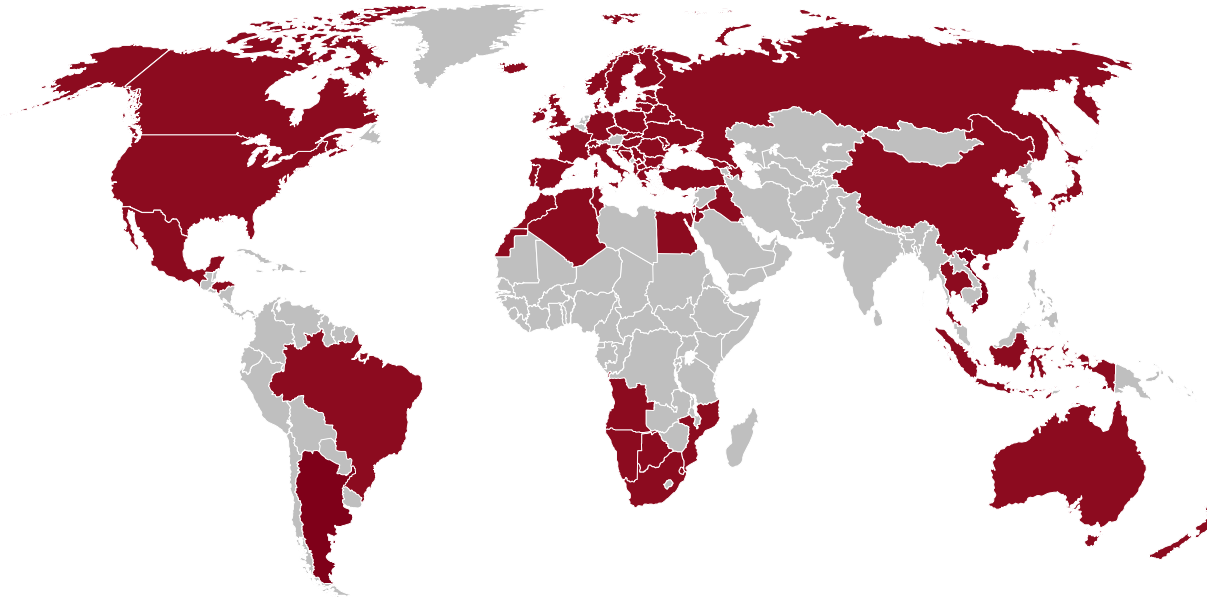


44
CV

Current Network (05/2018)

TI Shareholders – PC



8,5 B€

Turnover

55

Shareholders

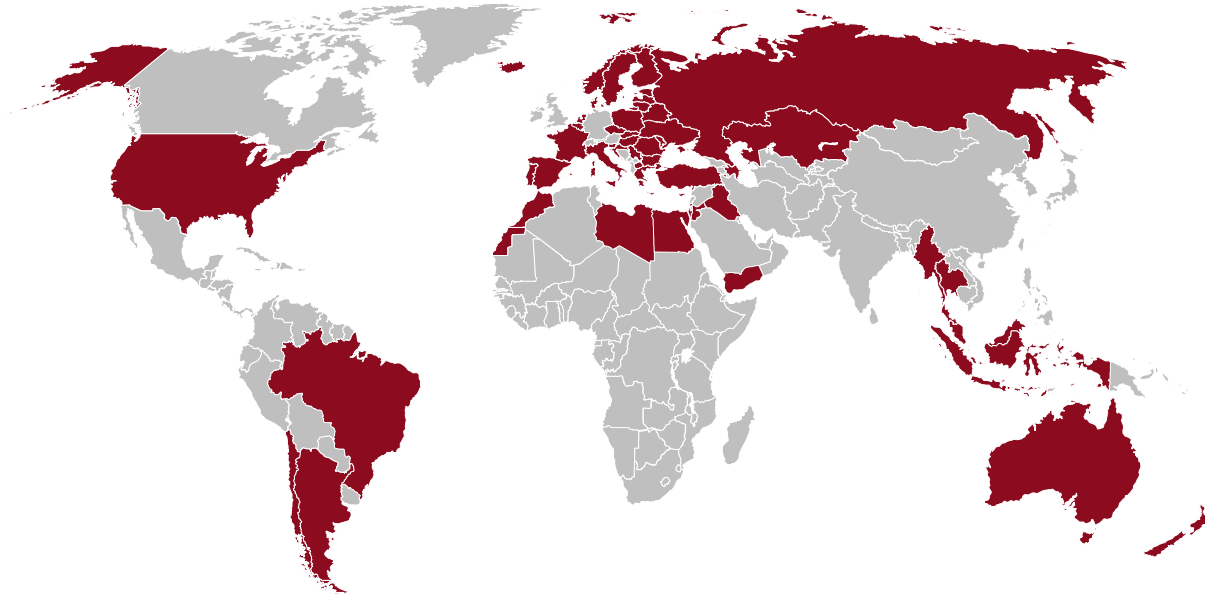
5

continents



Current Network (05/2018)

TI Shareholders – CV



1,8 B€

Turnover

44

Shareholders

5

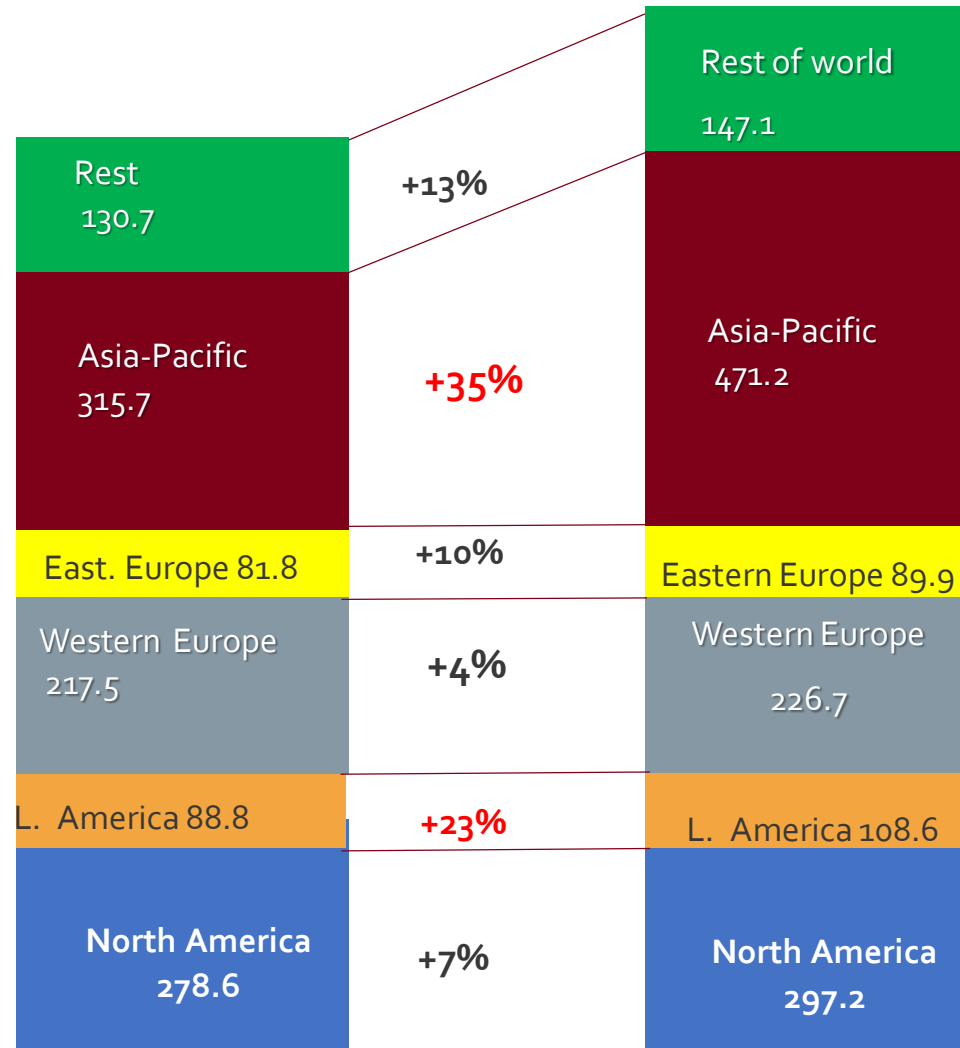
continents





Vehicles in Operation (VIO) define the Aftermarket

VIO 2015:
1.11 billion
automobiles



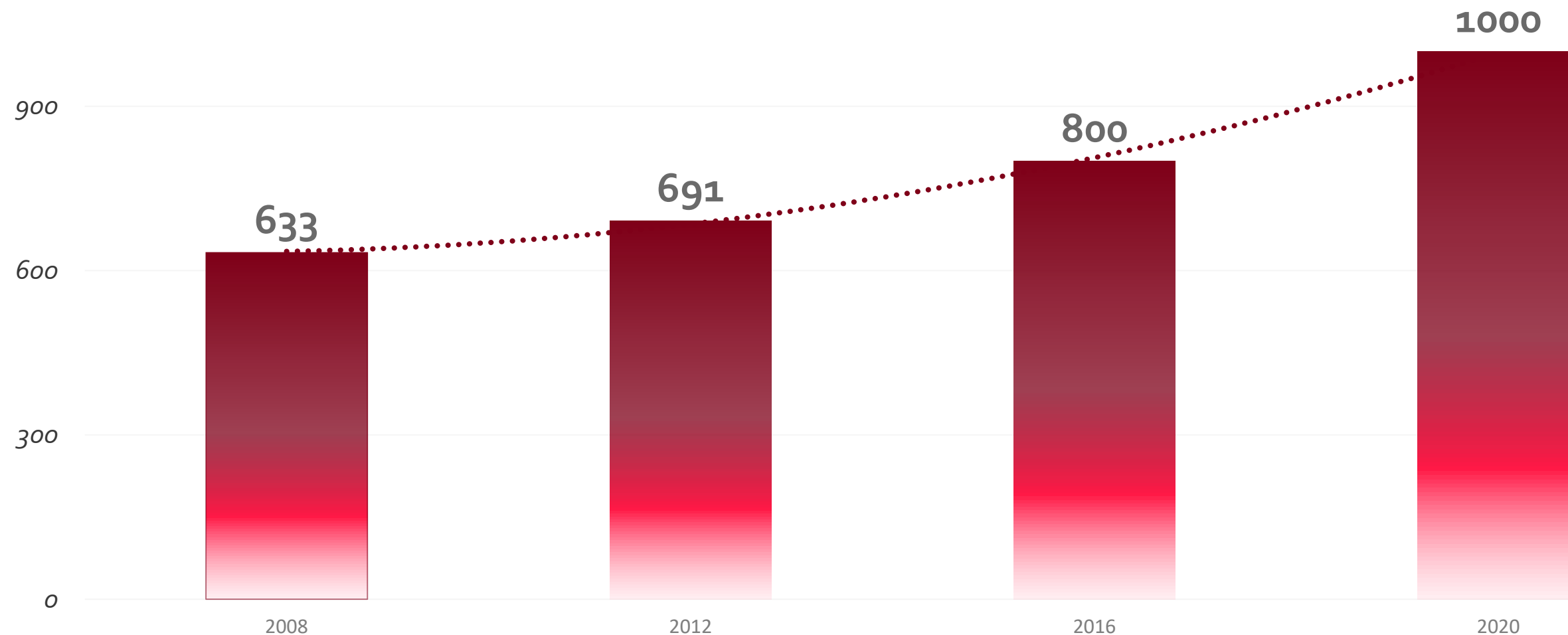
VIO 2020: 1.34 billion

VIO rise globally by
> 22%



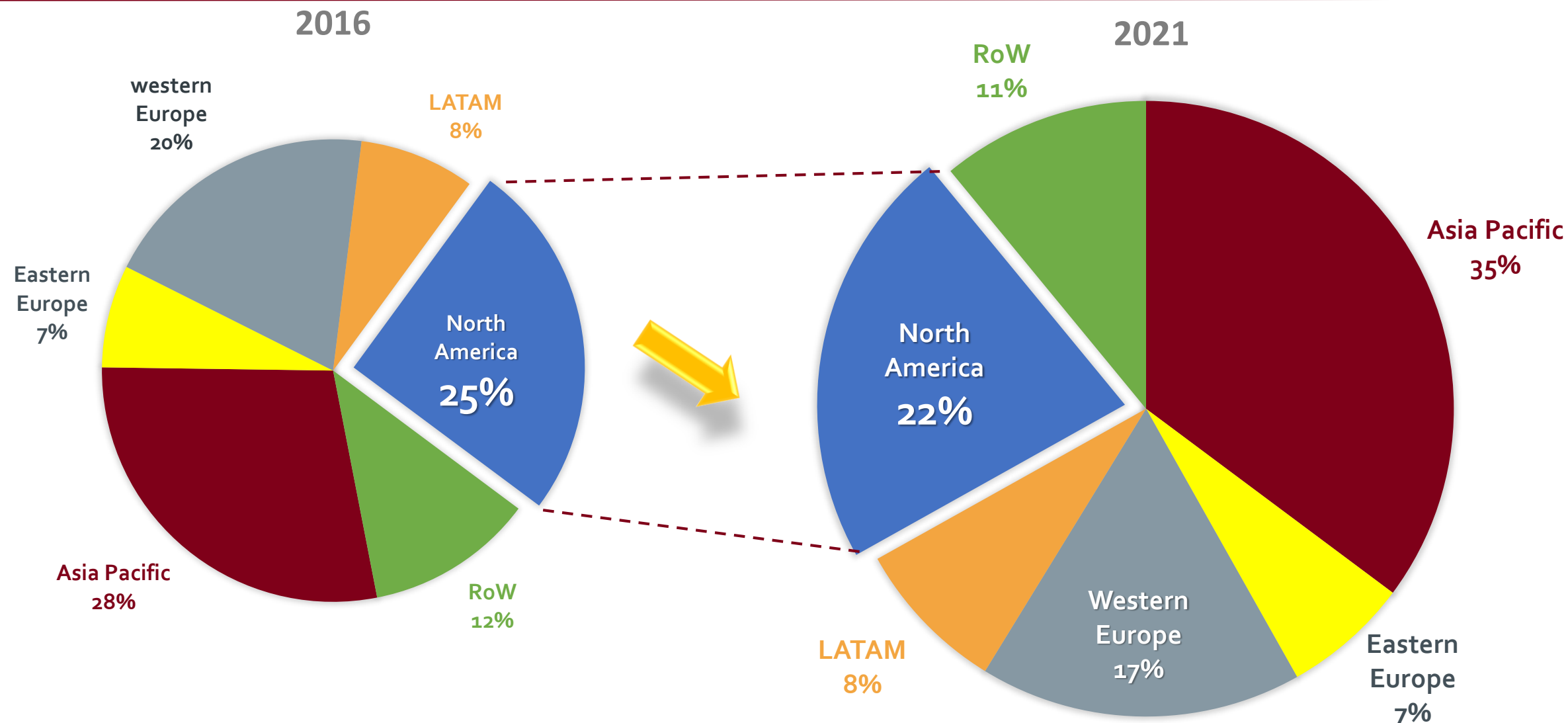
The more VIO rises, the more the Aftermarket benefits

The global value of the aftermarket exceeds \$800 billion (*) AND IT CONTINUES TO GROW..

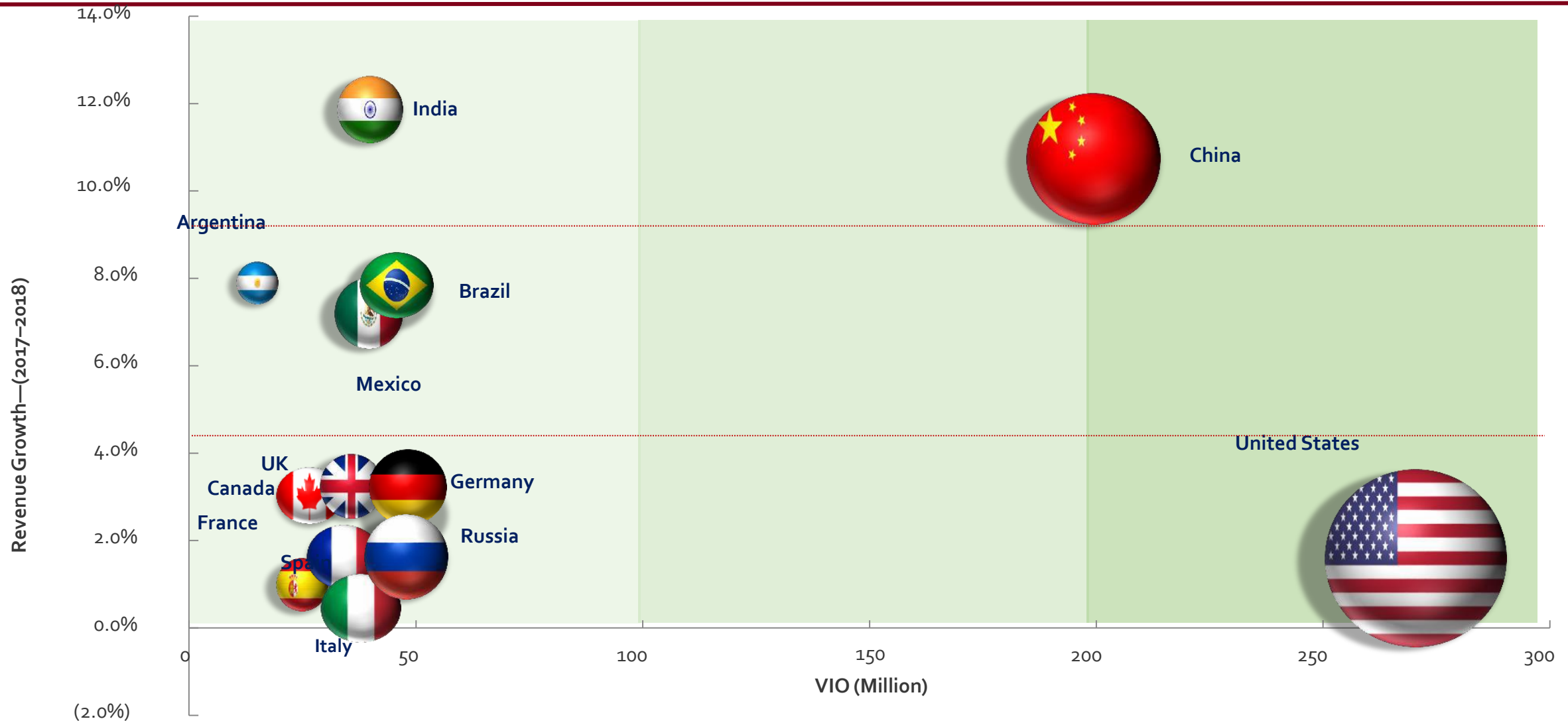




The global aftermarket in % per region



Global Aftermarket in Billion \$





The US market; it's huge!

278.6
million registered
motor vehicles in the U.S.

Source: IHS Markit



218.1M
licensed drivers
1.18
cars per driver

Source: IHS Markit



Recovered massively after the crisis

Increase in new vehicle sales

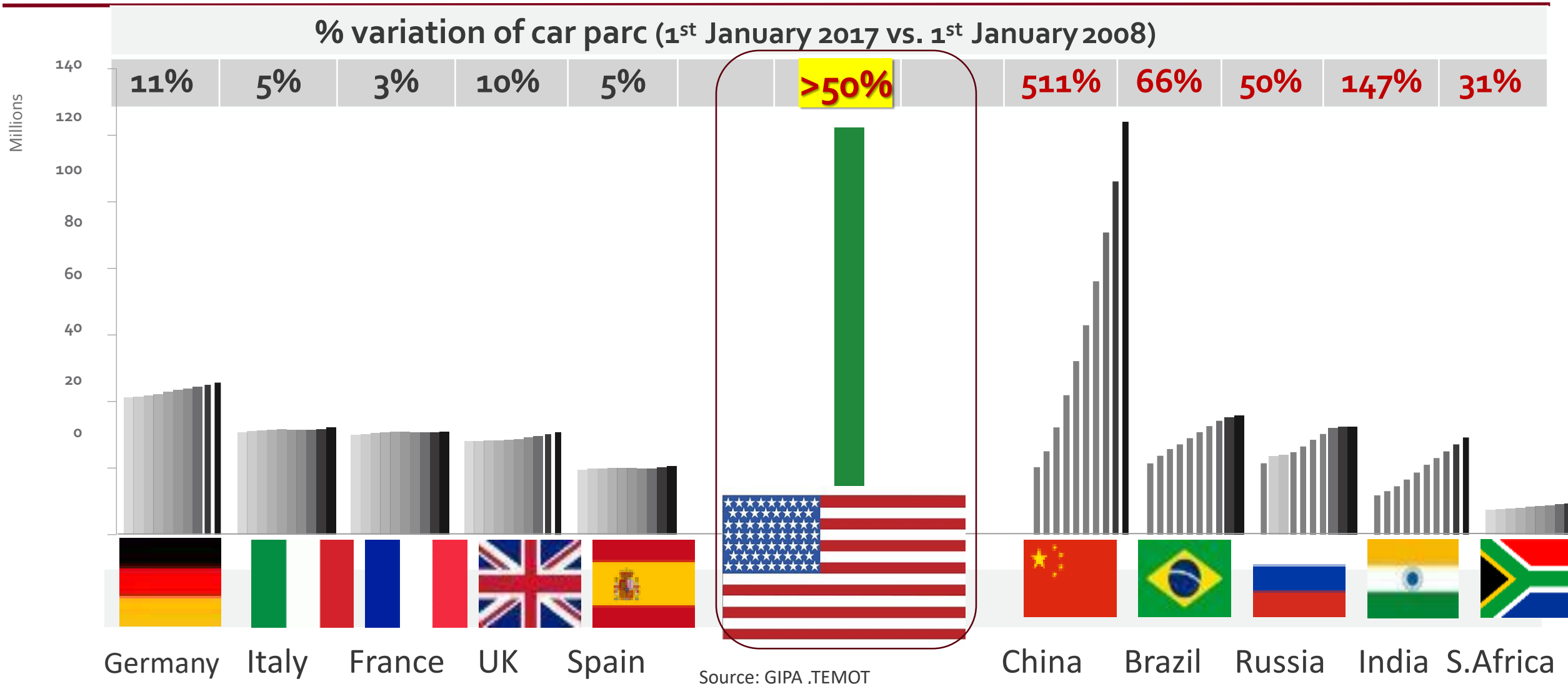


Source: Centre of automotive research

- 62% from 10.4 million, in 2009 the year of the crisis



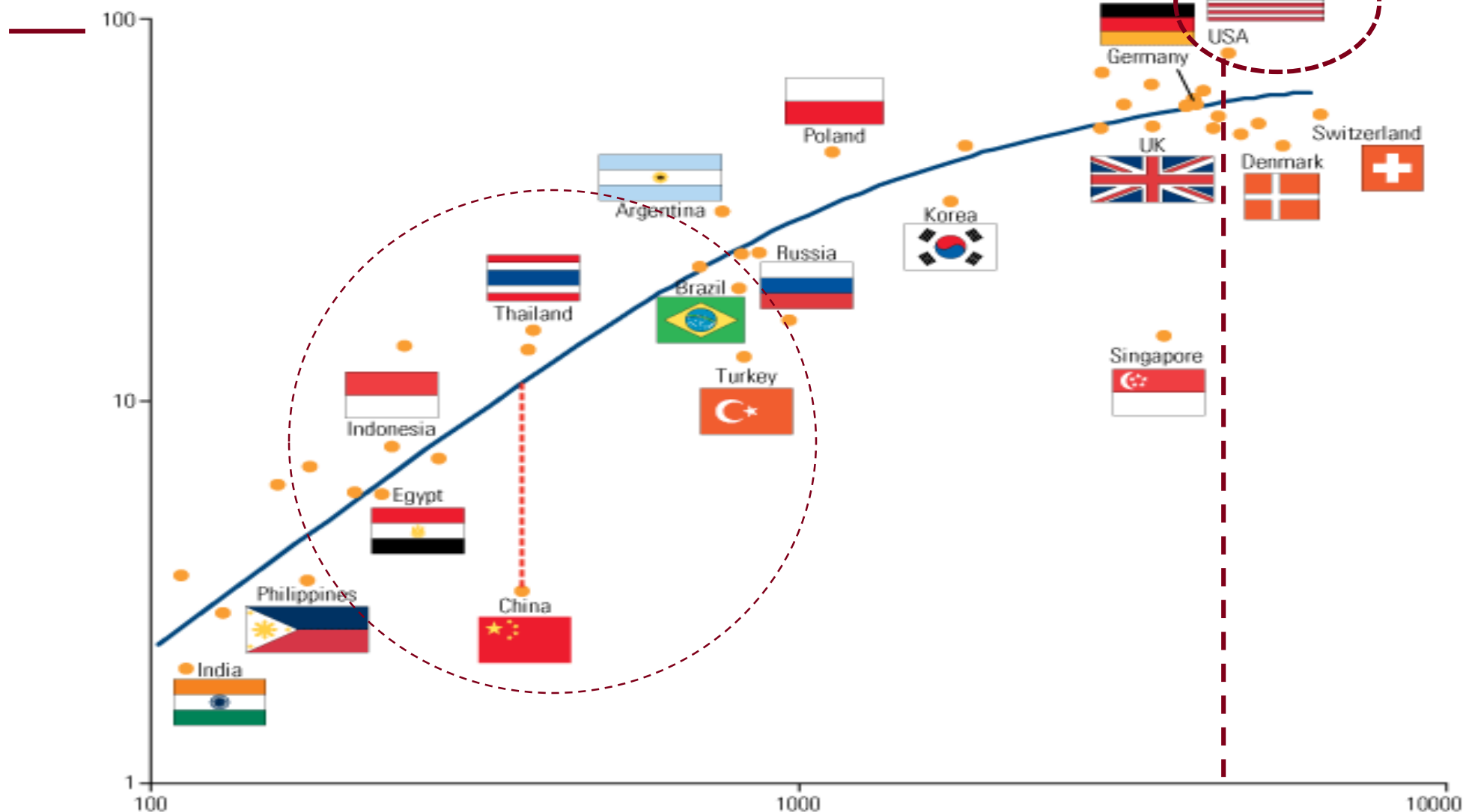
Car parc size in evolution





Highly motorized country

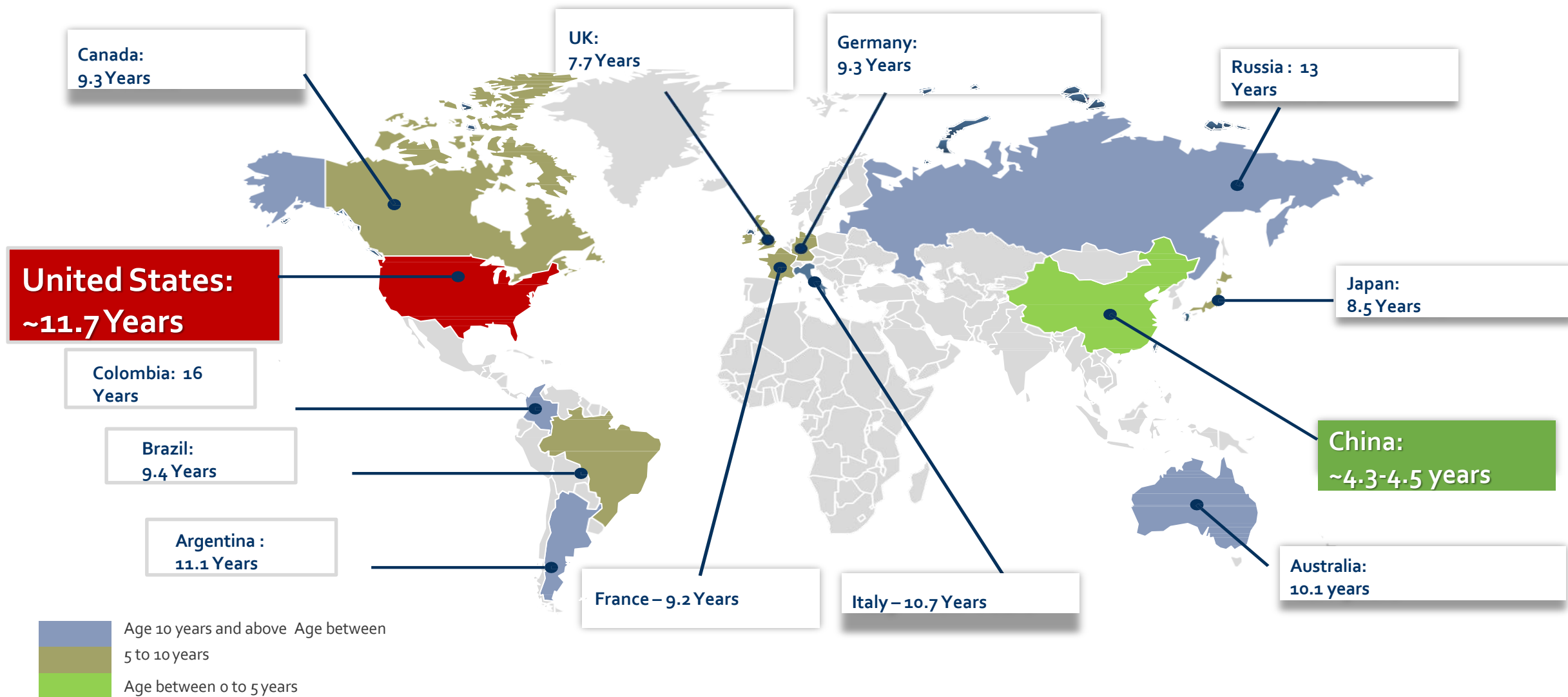
GDP vs motorization



Source: World Bank



Global Average Vehicle Age—2017



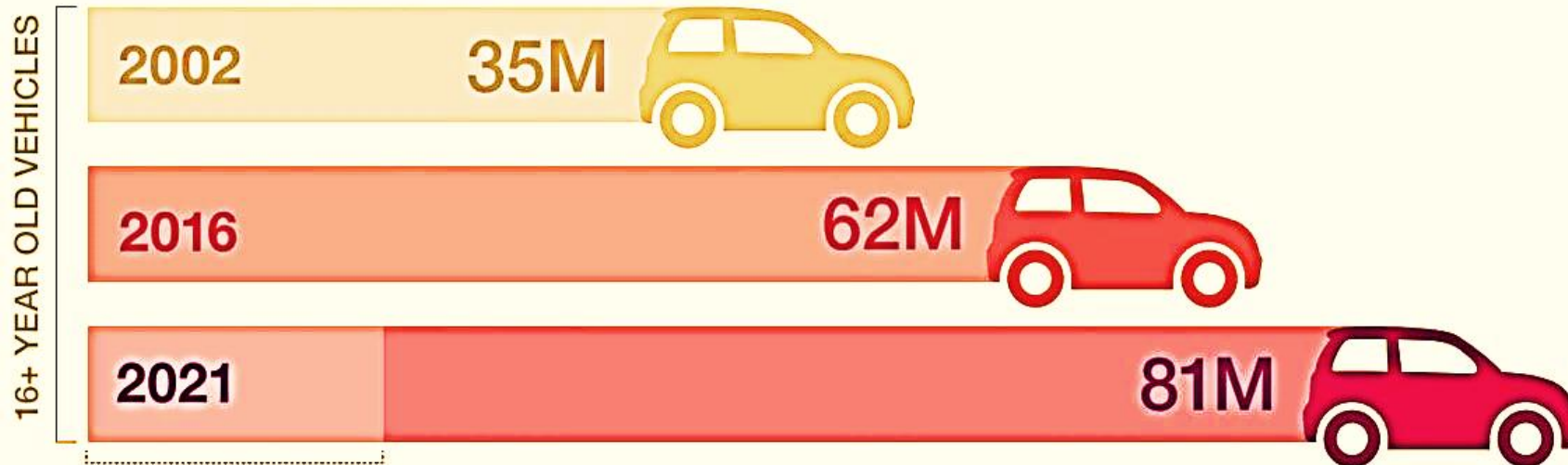
Older cars are increasing; great service potential

2/3

of people will drive their vehicle until the day it quits.



Source: AutoMD

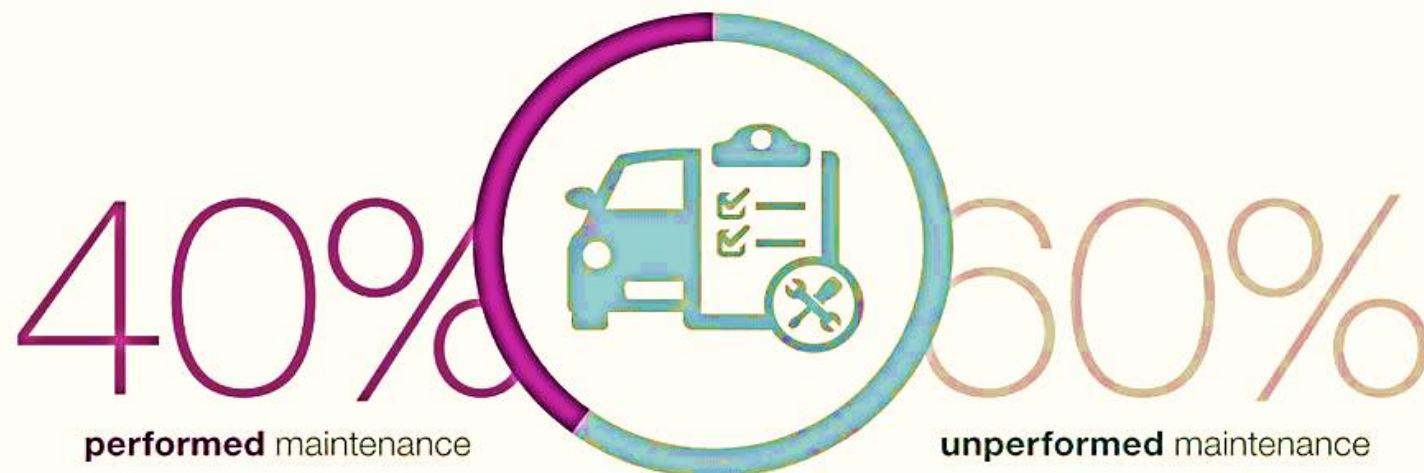


Source: IHS Markit

20 million vehicles will be 25 years or older by 2021.



Maintenance is trending up



Across all vehicles, nearly 40 percent (38.8) of drivers performed scheduled maintenance per their owners' manuals last year.

Source: IMR, Inc.



The **average age** of light vehicles in use.

Source: IHS Markit



Vehicles older than 11 years comprise 48.5 percent of total light vehicles.

Source: IMR, Inc.

Cars are lasting longer, average age grows

WHAT DOES
THIS MEAN
FOR THE
INDUSTRY?

MORE VEHICLES ON THE ROAD



OLDER VEHICLES

- » Heavy DIY
- » Product mix shift from premium to value line vehicle
- » Bigger one-time repairs = bigger ticket items



NEWER VEHICLES

- » More diagnostic work
- » Higher volume/quantity of vehicles on the road, more opportunities
- » Bigger tickets
- » More commercially-oriented/ DIFM



10.4%
VIO will increase
by 10.4% by 2021.

Source: IHS Markit



Positive year over year market growth!

2011–2016

COMPONENT VS. PART



↓ -1.15%

SHOCKS
(\$450M to \$420M)



↑ 4.09%

STRUTS
(\$1.18B to \$1.45B)

ELECTRICAL VS. MECHANICAL



↑ 4.54%

**ENGINE
CONTROL
MODULES**
(\$290M to \$370M)



↓ -17.36%

**OTHER
ENGINE PARTS**
(\$660M to \$260M)

KITS



↑ 2.04%

WATER PUMPS
(\$1.13B to \$1.25B)



↑ 1.14%


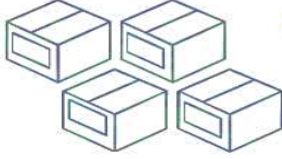
**FOREIGN
NAMEPLATE
REPAIR
FACILITIES**
(17,938 to 18,982)

Many of the “shifts” are driving new ways to sell and install automotive parts.

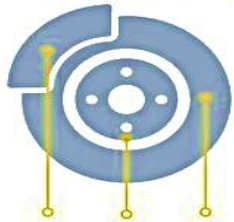
Source: 2018 Lang Aftermarket Annual

% = 5-yr CAGR

Data complexity significant but less than Europe

25,550  =  13,733
parts classifications brands

111K+



product attributes

144,239 vehicle applications

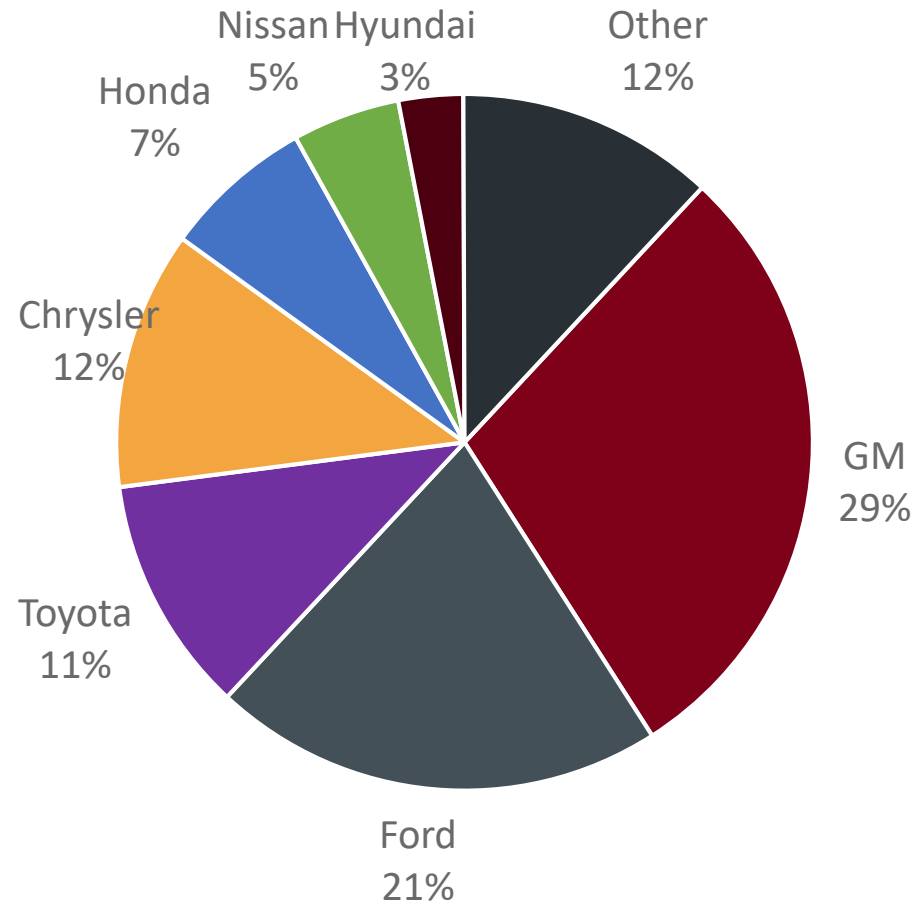
with 1,822,480 vehicle system configurations

ENABLING BUSINESSES TO INCREASE EFFICIENCY, LOWER COSTS AND INCREASE SALES:

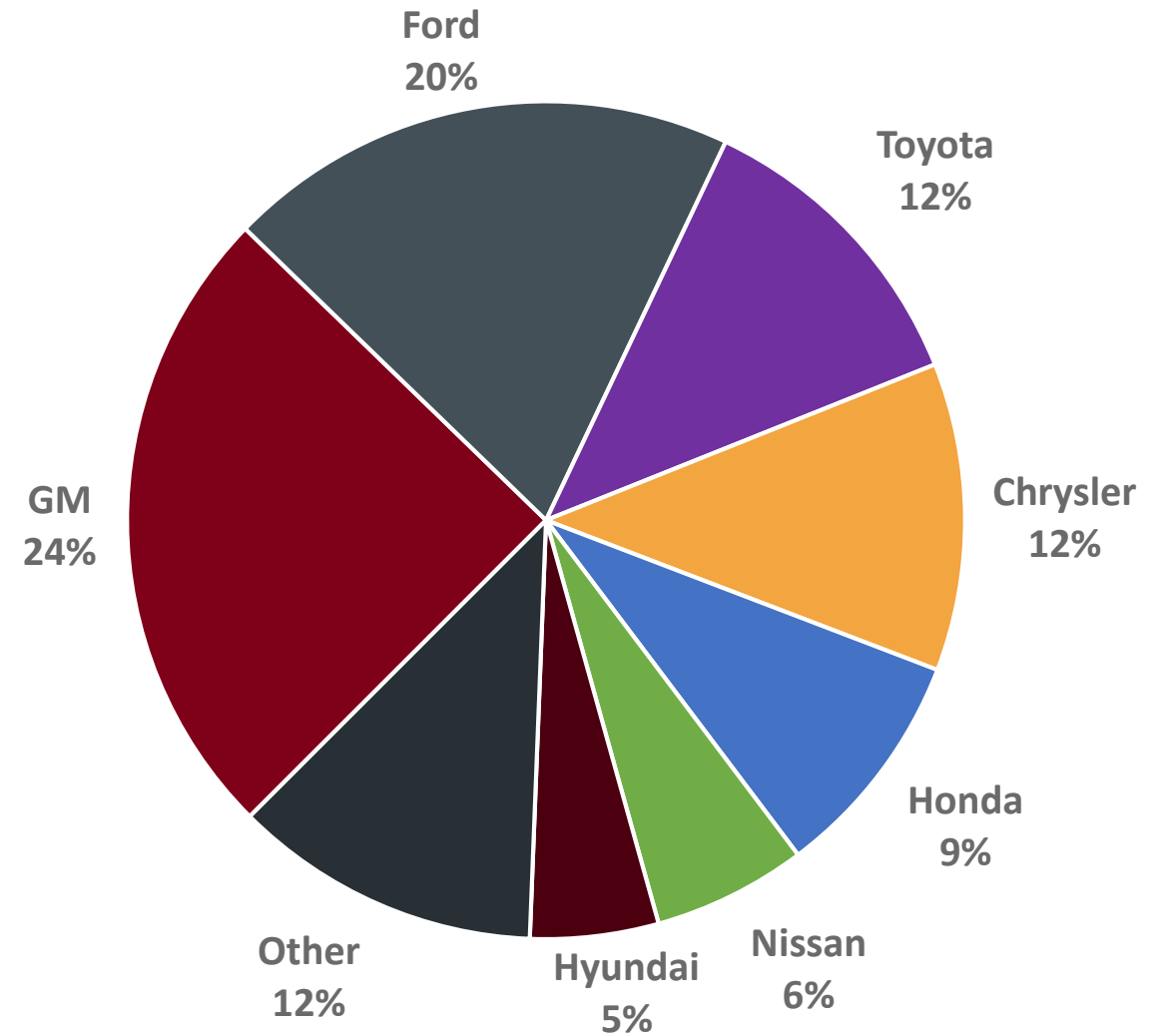


20-year anniversary
1997-2017

Vehicles Manufactures market shares



2007









2016

Vehicle segments market composition

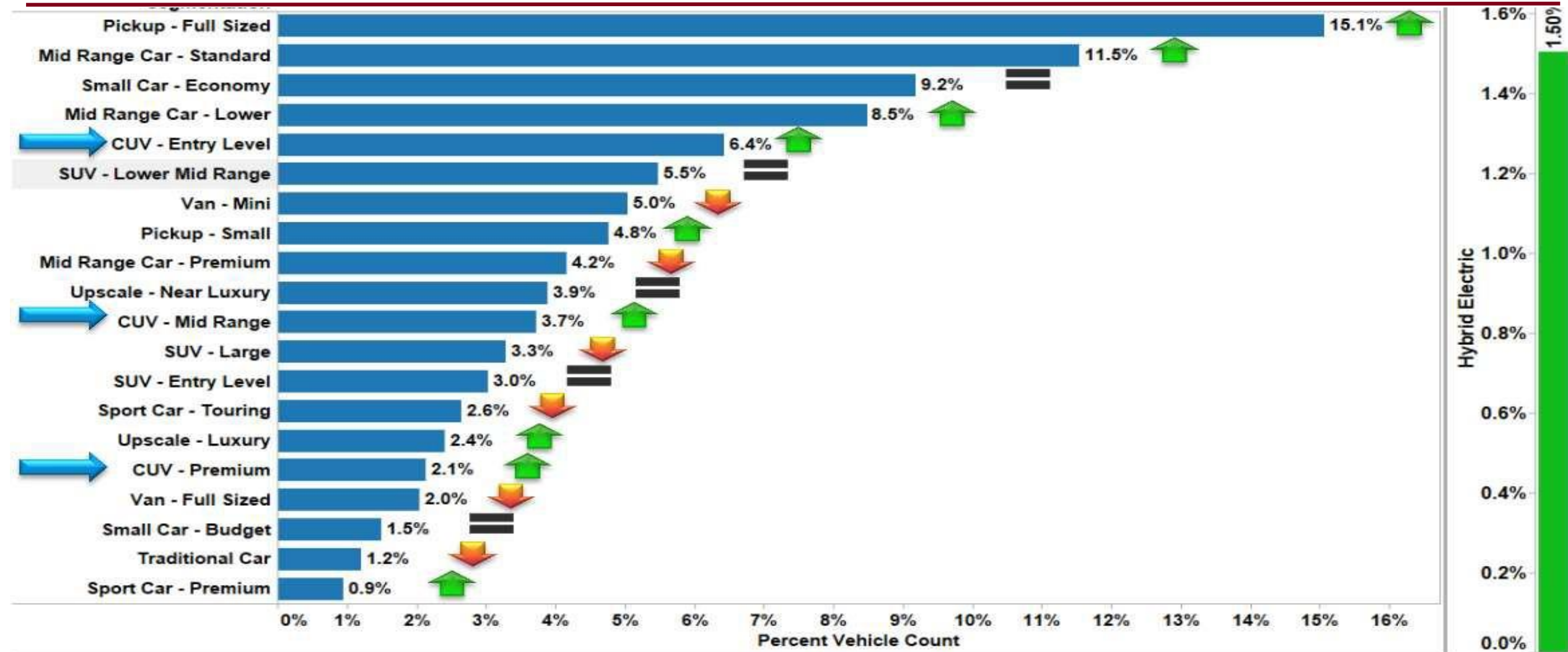
Total market composition

Top 10 by Segment Share

| | | | | | | | | | | | |
|--|------|---------------|---------------|-----------------|----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|
|  Passenger | 46% | Toyota 31% | GM 14% | Hyundai 12% | Honda 11% | Ford 10% | R-N 10% | FCA 6,9% | VW AG 6,6% | BMW 3,4% | Daimler 2,8% |
|  SUV | 30% | GM 20% | Ford 15% | Toyota 15% | FCA 12% | Honda 11% | R-N 9,0% | Hyundai 5,8% | BMW 2,7% | VW AG 2,4% | Ford 2,3% |
|  Pickup | 14% | Ford 35% | GM 32% | FCA 16% | Toyota 13% | R-N 3,6% | Honda 0,8% | Suzuki 0,0% | | | |
|  MPV | 6,3% | FCA 35% | Toyota 22% | Honda 20% | Hyundai 13% | Ford 6,3% | R-N 1,9% | Mazda 1,4% | VW AG 0,2% | Daimler 0,0% | |
|  LCV | 2,0% | Ford 53% | GM 31% | Daimler 7,0% | R-N 5,5% | FCA 3,9% | | | | | |
|  Sport | 2,0% | GM 31% | Ford 25% | FCA 18% | Toyota 8,6% | VW AG 7,4% | Daimler 4,0% | R-N 2,5% | Mazda 1,8% | JLR 1,1% | BMW 0,8% |

R-N: Renault-Nissan

Vehicle segments development



Source: Experian Automotive as of September 30, 2015 (U.S. light duty vehicles only)

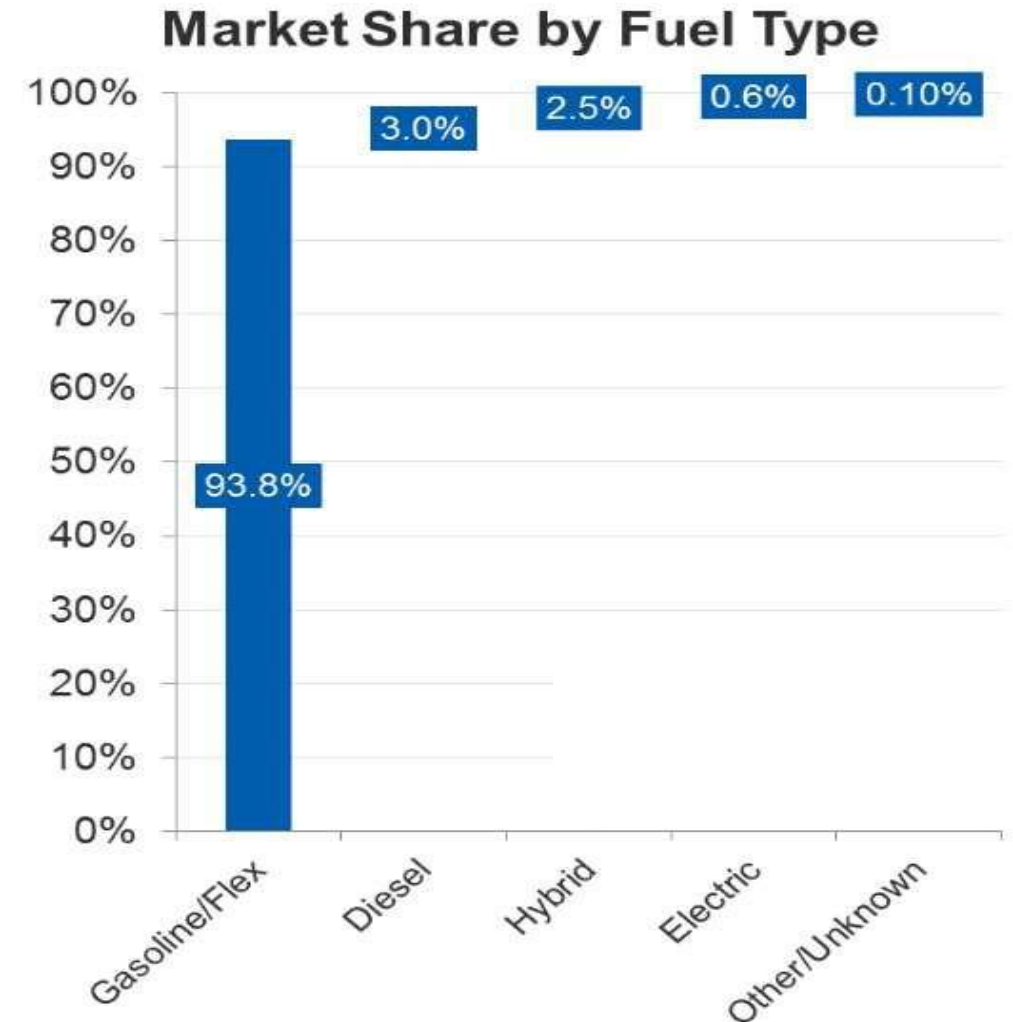
Best selling cars

- Full-size pickup trucks are still the most prevalent segment at 15%, followed by mid-range cars at 11.5% and small economy cars at 9%.
- The **Ford F-150** and **Chevrolet Silverado 1500** remains the most driven vehicle on the road, with nearly 20 million vehicles in operation
- The top 10 models driven include the Honda Accord, Toyota Camry, Honda Civic, Toyota Corolla, Dodge/Ram 1500, Nissan Altima, Ford Explorer and Honda CR-V.
- Domestic vehicles still dominate the market with 56.1% of share.



Gasoline is the overwhelming majority fuel used

Diesel only 3,5 % but in car graveyards



Source: Experian Automotive registrations



Diesel in USA is only for Heavy Duty, lost for cars
Well done Volkswagen!




Creative Ideas on FB



Biggest importer and exporter (still..)


imports

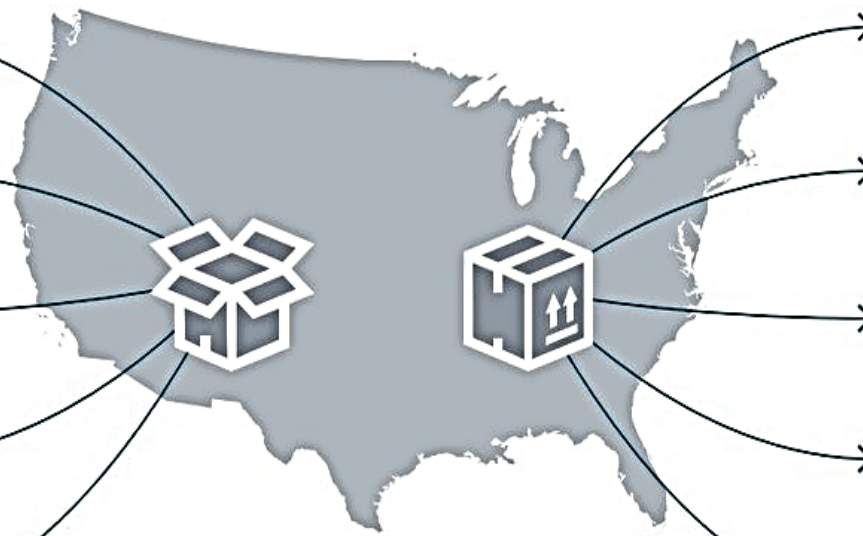
Mexico 
\$52,074,056,590

China 
\$16,618,711,320

Canada 
\$15,891,262,034

Japan 
\$12,839,328,922

Germany 
\$9,453,932,516



exports

 **Canada**
\$30,628,598,388

 **Mexico**
\$28,343,144,294

 **China**
\$2,813,223,298

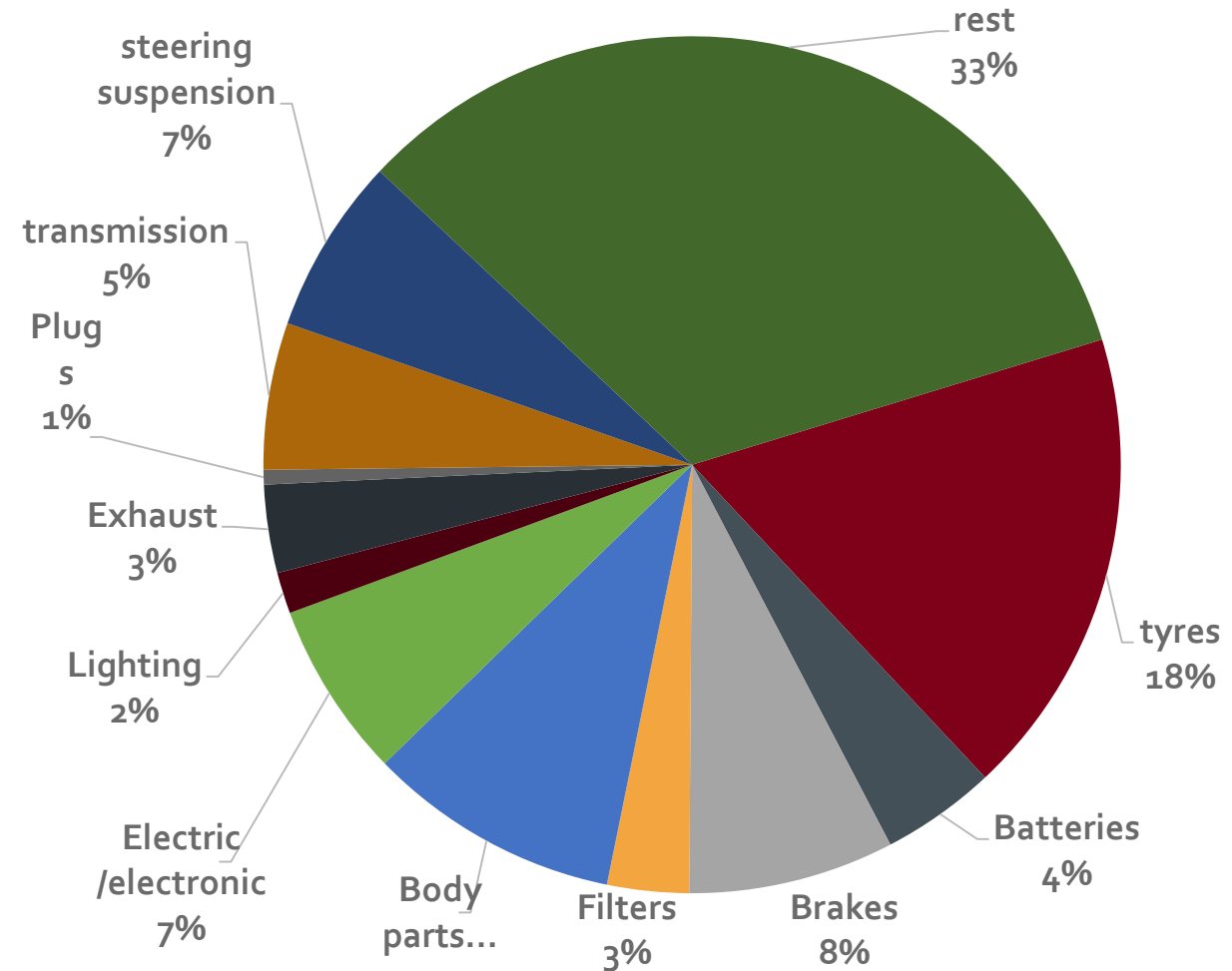
 **Germany**
\$2,021,195,477

 **Japan**
\$1,529,044,445

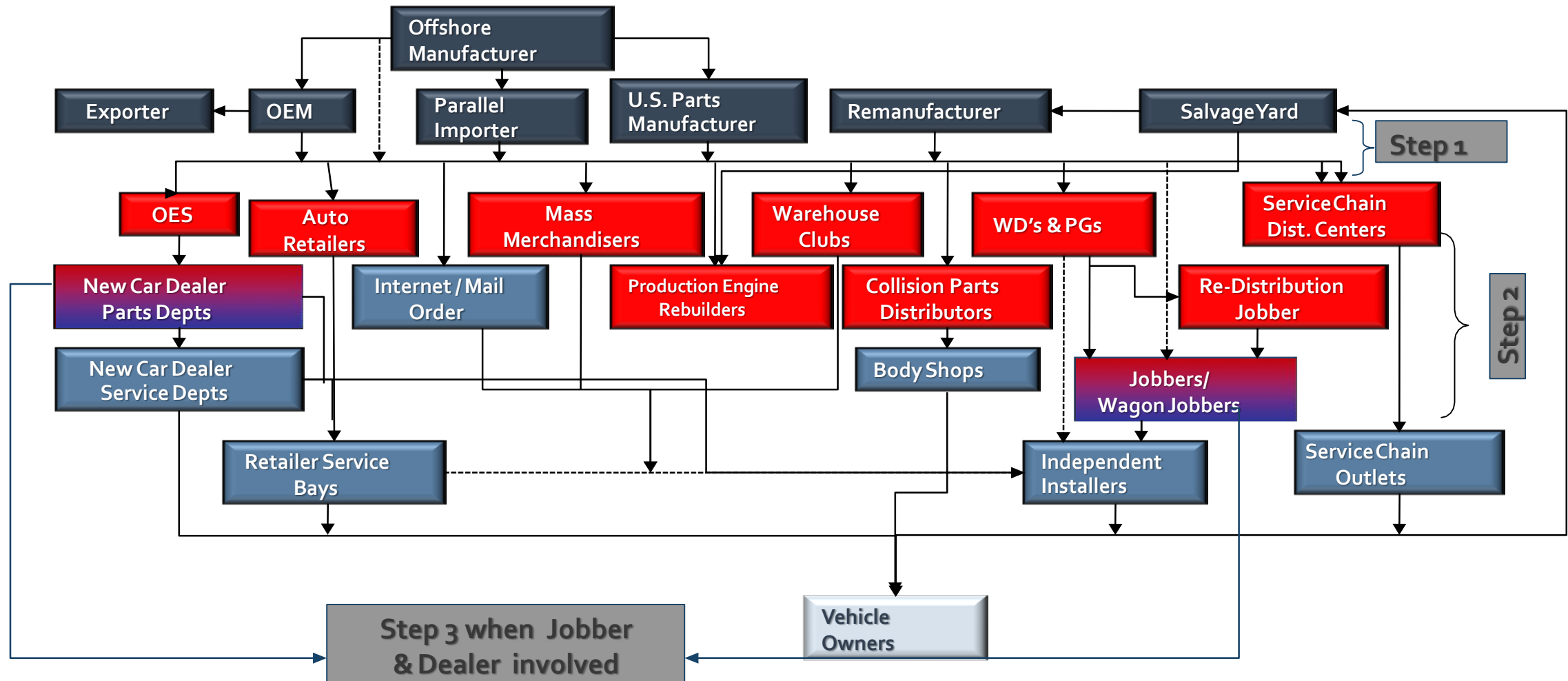
Source: U.S. International Trade Commission Interactive Trade DataWeb (USITC DataWeb), using data retrieved from the U.S. Bureau of the Census (accessed June 12, 2017)

What is sold? Product categories development

| | Revenues (2007) | Revenues (2017) | CAGR (2010-2017) |
|------------------------|-----------------------|-----------------------|---------------------|
| Tires | \$16,300 M | \$22,300 M | 5.1% |
| Batteries | \$2,834 M | \$3,339 M | 0.6% |
| Brake Parts | \$2,686 M | \$4,016 M | 4.6% |
| Filters | \$1,228 M | \$1,512 M | 2.7% |
| Collision Body | \$3,430 M | \$4,100 M | 0.9% |
| Starters & Alternators | \$1,326 M | \$1,268 M | -0.8% |
| Lighting | \$1,104 M | \$1,076 M | 0.4% |
| Wheels | \$837 M | \$908 M | 0.7% |
| Spark Plugs | \$673 M | \$664 M | 1.7% |
| Total | \$78.7 Billion | \$97.6 Billion | 2.3% |



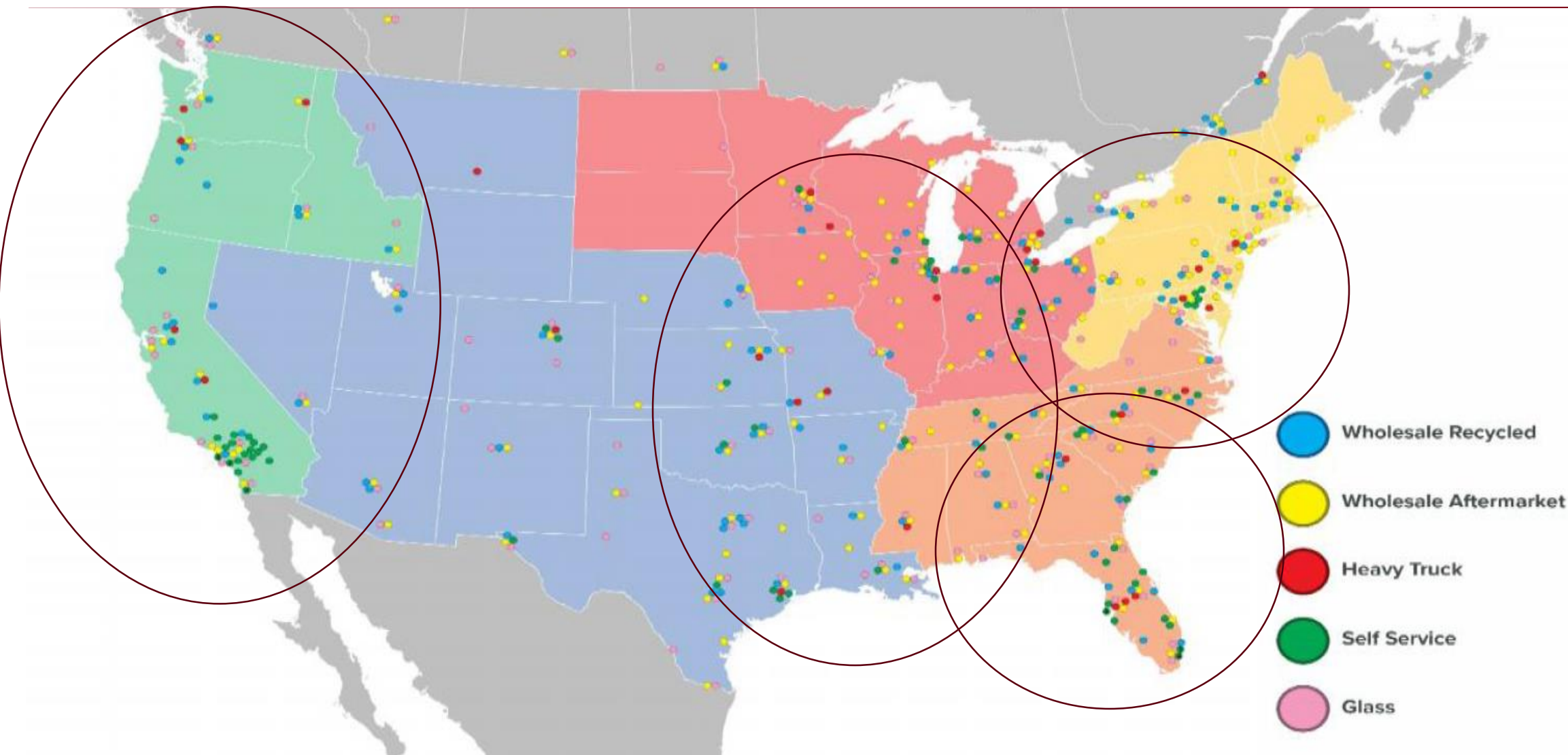
Who is selling; Automotive Aftermarket: Distribution Structure



Source: Frost & Sullivan



Huge country with regions of activities





Market players



Major Distributors characteristics

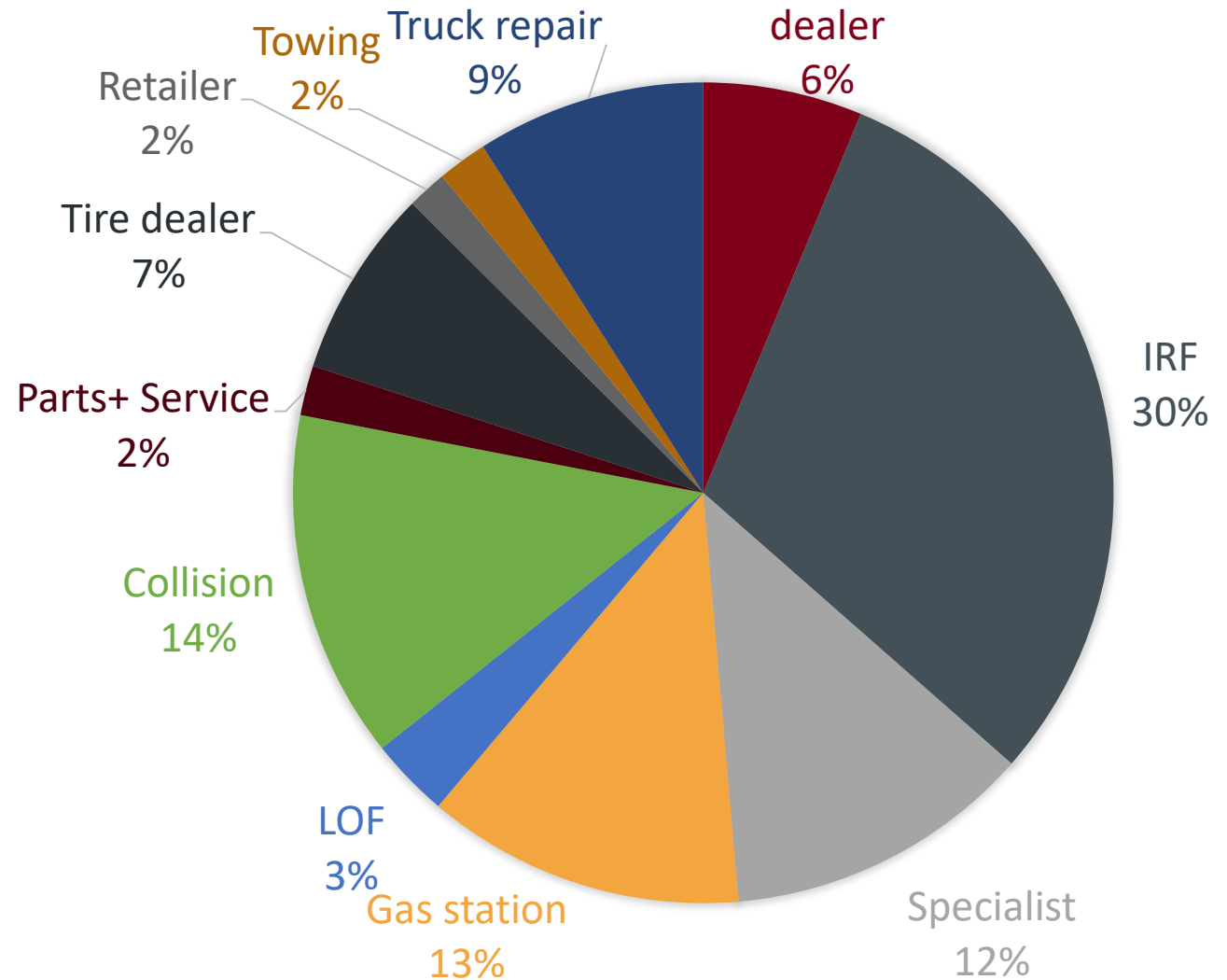


| Identity | Program Group | Program Group | Retailer | Retailer | Retailer | Retailer |
|----------------------|---------------|---------------|------------------------------------|-------------------------------------|---------------------------------|---|
| Retail Sales | 20% | 20% | 85% | 50% | 95% | 70% |
| Wholesale | 80% | 80% | 15% | 50% | 5% | 30% |
| Private Label Sales | 90% | 90% | 50% | 25% (Estimated) | 27% | 25% |
| Private Label Brands | NAPA | CARQUEST | Duralast, Valucraft & Others | O'Reilly, Brake Best & Others | Prostart, Futura & Others | Advance Auto, Wearever Gold/Silver & Others |

Source: Frost & Sullivan

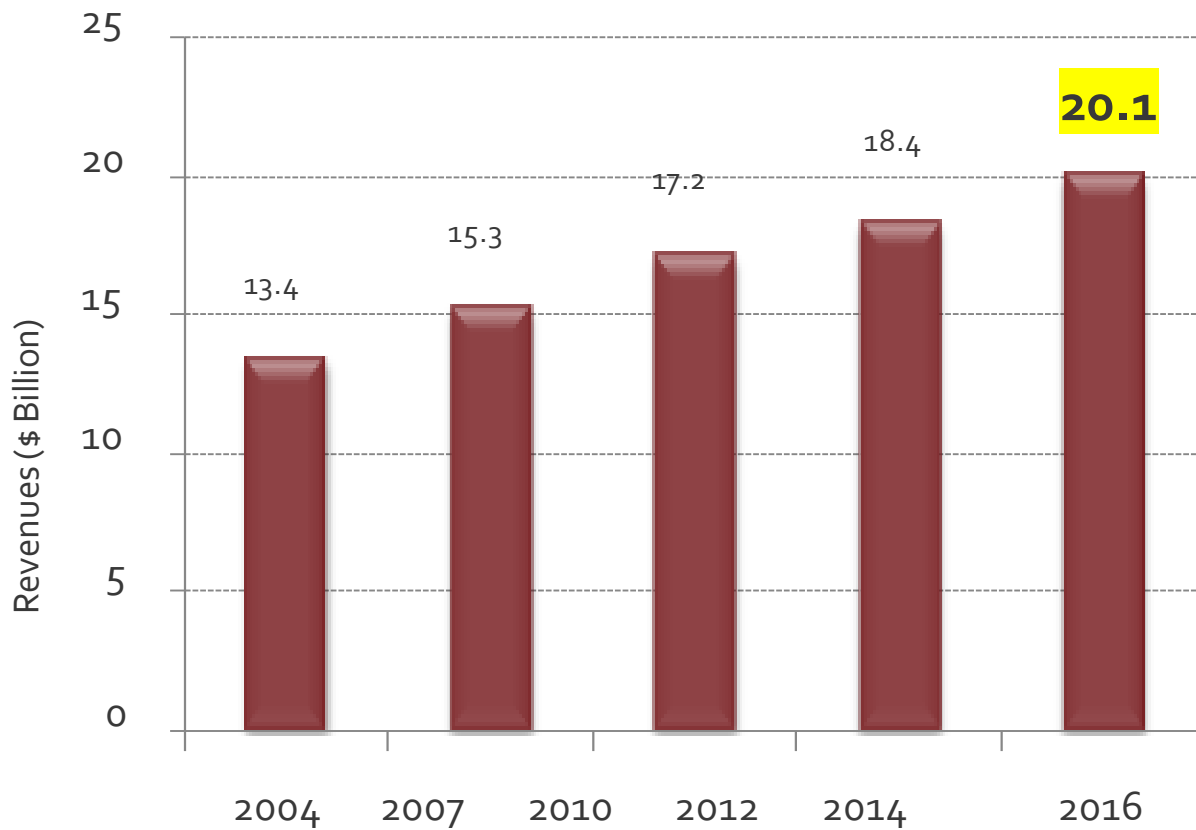
Service Centers by Type (2005 – 2013)

| Location | 2005 | 2013 |
|--------------------------------|---------|---------|
| Dealer | 21,495 | 16,719 |
| IRF | 76,614 | 77,364 |
| Specialty Repair | 32,087 | 30,494 |
| Gas w/service | 32,604 | 32,880 |
| LOF | 7,735 | 8,338 |
| Collision | 36,818 | 35,828 |
| Auto Parts w/Service | 5,175 | 5,206 |
| Tire Dealer | 18,188 | 18,718 |
| Retailers | 3,977 | 3,986 |
| Towing | 4,629 | 4,647 |
| Truck Repair | 23,316 | 23,157 |
| Light Vehicle Repair Locations | 262,637 | 257,337 |

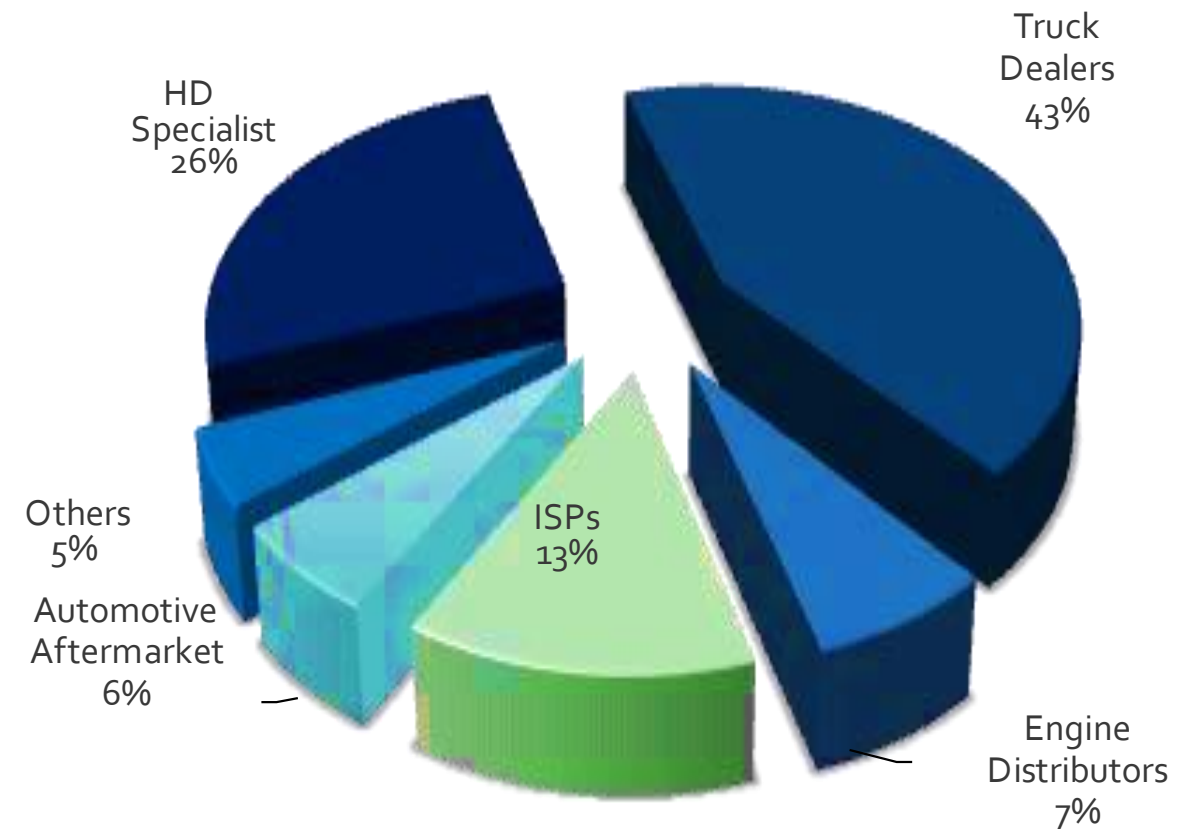


The Heavy Duty (HD) Aftermarket, \$20 billion!

Replacement Parts Revenues



Revenues by Distribution Channel



Source: Frost & Sullivan



HD Distribution Structure



- Major consolidations shaping the distribution landscape.
- Product costs are a tiny fraction (around 15%) of the total transaction cost;
- Distributors changing focus from products to services,
- Skilled technician shortage aggravating service center operating woes.
- Low volumes, high part costs and high order cycle time are a constant challenge for HD aftermarket distributor.
- Independent distributor shares are falling steadily, dealerships and OES channels are growing
- Buying groups are becoming more prominent.
- Gross margins have remained fairly steady at around 25% to 30% in the distribution chain.
- Dealers and independent distributors sometimes purchase from each other but keep it unknown.

Changes affecting the US Aftermarket

1 OES vs IAM

2 DIY vs DIFM

3 Shifts in car mix

4 Internet,

5 Future replacement rates

6 Channel consolidation

7 Low cost country imports

8 Electro-Hybridisation

9 Right to connect & repair

10 Safety/emission regulations

11 Private brands vs suppliers

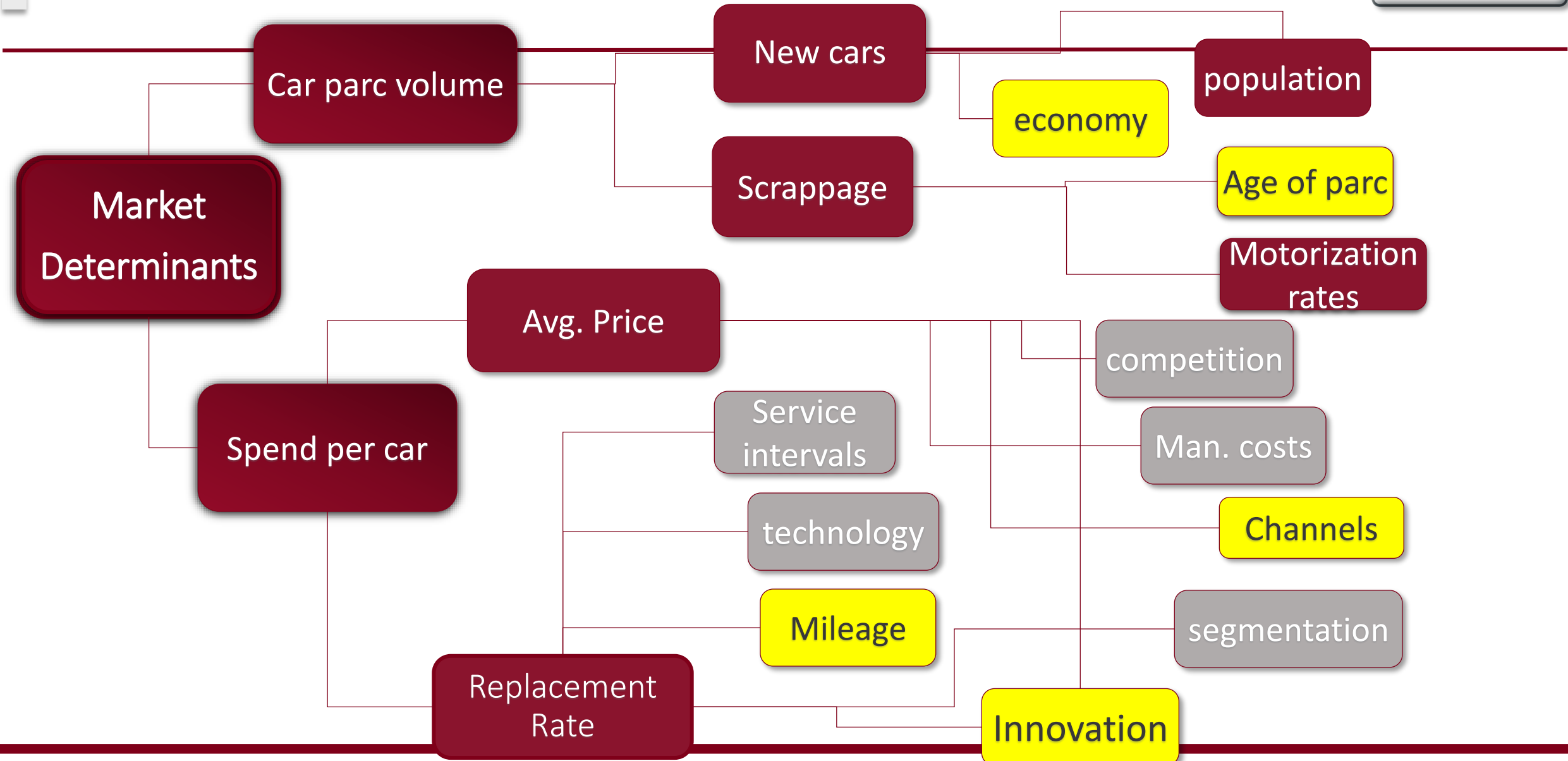
12 Generalists vs specialists

13 Chains vs small garages

14 Connectivity

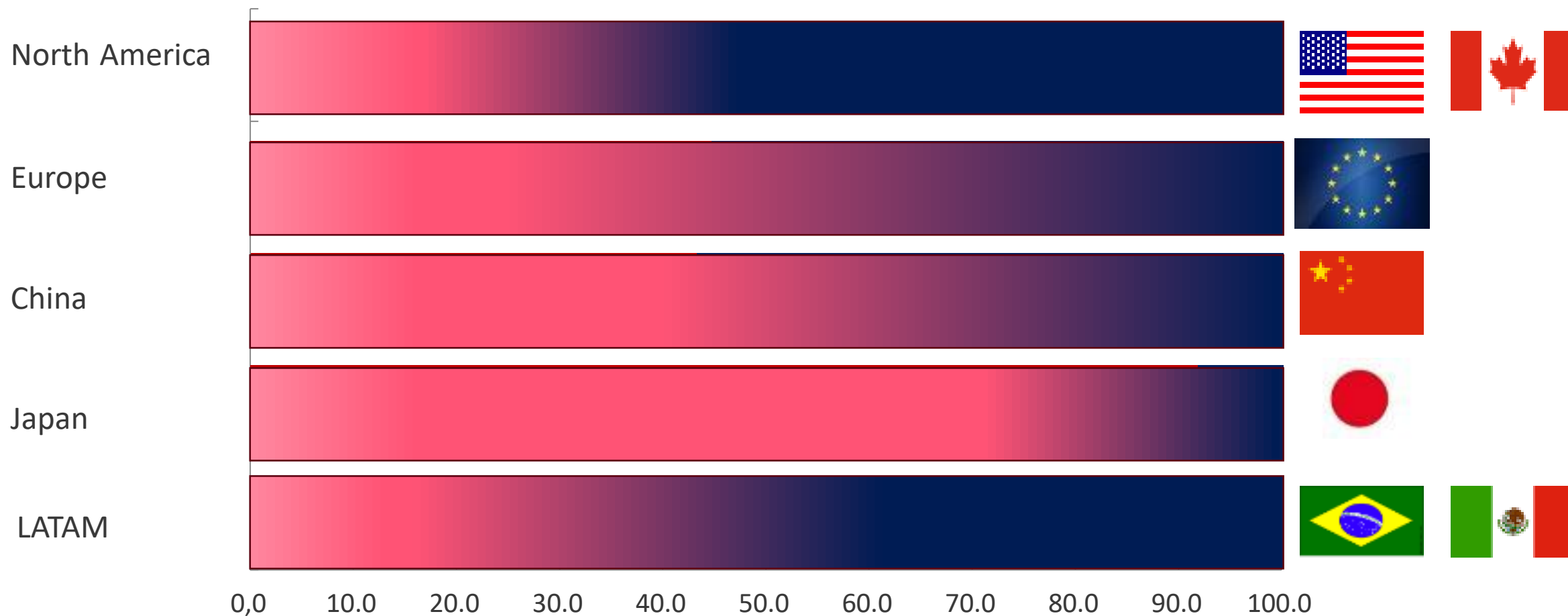


Parameters affecting the US Aftermarket





OES – IAM : the artificial borders blaired.. OES struck back..



The OEMs in 2028 are in a much more better shape than in 2018 ..



1

Big data analysis, telematics R2C legislation still inadequate, gap in favor of OEMs

2

Understanding better needs, tailor made & optimization of offer, entry at the IAM

3

Value added services, individual processes, fixed pricing, 2nd lines, car age packages

4

Predictive maintenance, prognostics, telematics, usage of dominant position

5

Offers and Acquisition of fleets, new service formats (service factory



Levels of coverage

5 STAR PLAN

Supreme protection for total peace of mind. All components are covered except for a select list of exclusions. Available on all new, certified pre-owned and used Volkswagen vehicles.

4 STAR PLAN

Extensive coverage across the powertrain and many other critical vehicle components that can be costly to repair. Available on all new, certified pre-owned and used Volkswagen vehicles.

3 STAR PLAN

Essential coverage for major powertrain components on your new, certified pre-owned or used Volkswagen vehicle. Maximum coverage limit of \$4,000.



The mobility pattern altered and starts influencing heavily the Aftermarket



LIFE STYLE,
URBANIZATION,
IMMIGRATION,
DEMOGRAPHY



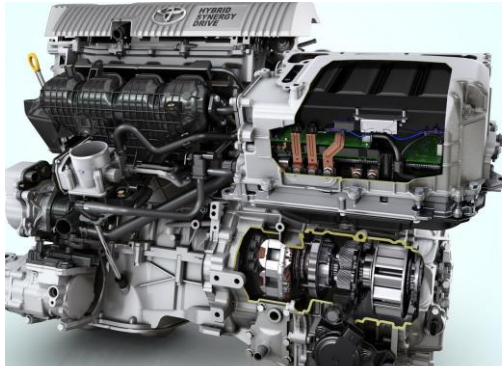
POWERTRAIN,
ELECTRIC HYBRID:
(good bye DIESEL?)









AUTONOMOUS
DRIVE
CONNECTED CAR



eCOMMERCE
NEW MOBILITY
CONCEPTS



Top 6 disruptive trends

| | | Revenue | Profitability |
|---|---|---------|---------------|
|  | Consolidation of parts suppliers | = | ↓ |
|  | OEMs expand aggressively into the aftermarket | ↓ | ↓ |
|  | Digitisation of the channels/interfaces | = | ↑ |
|  | Access to vehicle data | ↑ | ↑ |
|  | Higher influence of the intermediaries | = | ↓ |
|  | Higher price transparency and diversity for customers | = | ↓ |

Consolidation came and stayed..

1

New M&As; inside USA and outside Europe and all other regions of the world i.e. USA, China, etc.

2

Size matters : family organizations squeezed by transnationals, forced to sell or went bankrupt

3

The enterprise multiple higher in other continents.
Low cost of money; access through stock exchange

4

new equities entered, mega Mergers took place
Battle for the remaining, Americanization...

A country in a consolidation rush.. Inside USA

| | | | | | | |
|--|--|--|--|---|---|---|
| | | | <p>April 2018</p> <p>\$480,000,000</p> <p>Credit Facility to Finance Acquisition by L Catterton</p> <p>1st Lien Lead Left Arranger 2nd Lien Joint Lead Arranger</p> <p>April 2018</p> <p>A portfolio company of One Rock Capital Partners</p> <p>Undisclosed</p> <p>Sale to L Catterton</p> <p>Lead Financial Advisor</p> <p>April 2018</p> <p>A portfolio company of Roark Capital Group</p> <p>\$544,000,000</p> <p>Credit Facility Joint Lead Arranger</p> <p>April 2018</p> <p>Undisclosed</p> <p>Sale of Interamerican Motor Corporation to Parts Authority a portfolio company of The Jordan Company</p> <p>Sole Financial Advisor</p> | <p>February 2018</p> <p>A portfolio company of ONCAP</p> <p>Undisclosed</p> <p>Merger with Express Oil Change & Tire Engineers</p> <p>Sole Financial Advisor</p> <p>December 2017</p> <p>A portfolio company of Leonard Green & Partners</p> <p>\$491,000,000</p> <p>Credit Facility Sole Lead Arranger</p> <p>December 2017</p> <p>A portfolio company of Olympus Partners</p> <p>\$235,000,000</p> <p>Credit Facility Sole Lead Arranger</p> <p>November 2017</p> <p>A portfolio company of KKR</p> <p>\$1,530,000,000</p> <p>Credit Facility Joint Lead Arranger</p> | <p>October 2017</p> <p>Undisclosed</p> <p>Sale to Truck Hero</p> <p>Sole Financial Advisor</p> <p>September 2017</p> <p>\$500,000,000</p> <p>Sale to IHS Markit Ltd.</p> <p>Sole Financial Advisor</p> <p>August 2017</p> <p>£205,000,000</p> <p>Acquisition of The Parts Alliance Group</p> <p>Sole Financial Advisor</p> <p>July 2017</p> <p>CAD\$194,000,000</p> <p>Sale to Boyd Group Income Fund</p> <p>Sole Financial Advisor</p> | <p>May 2017</p> <p>Undisclosed</p> <p>Recapitalization by Audax Private Equity and Harvest Partners to form APC Automotive Technologies</p> <p>Sole Financial Advisor</p> <p>May 2017</p> <p>\$1,025,000,000</p> <p>Credit Facility to Finance Acquisition by CCMP Capital Advisors, LP</p> <p>Joint Lead Arranger</p> <p>April 2017</p> <p>A portfolio company of TA Associates</p> <p>Undisclosed</p> <p>Sale to CCMP Capital Advisors, LP</p> <p>Lead Financial Advisor</p> <p>April 2017</p> <p>\$1,475,000,000</p> <p>Credit Facilities to Finance Acquisition by Advent International Corporation</p> <p>1st Lien Lead Left Arranger 2nd Lien Joint Lead Arranger</p> |
|--|--|--|--|---|---|---|

20 years consolidation... reached an end..

A parody of the iconic "Keep Calm and Carry On" posters. It features a white crown at the top, followed by the text "KEEP CALM" in large, bold, white capital letters. Below that, in smaller white capital letters, is "IT'S", and at the bottom, in large, bold, white capital letters, is "LUNCH TIME". The entire text is centered on a solid red background.

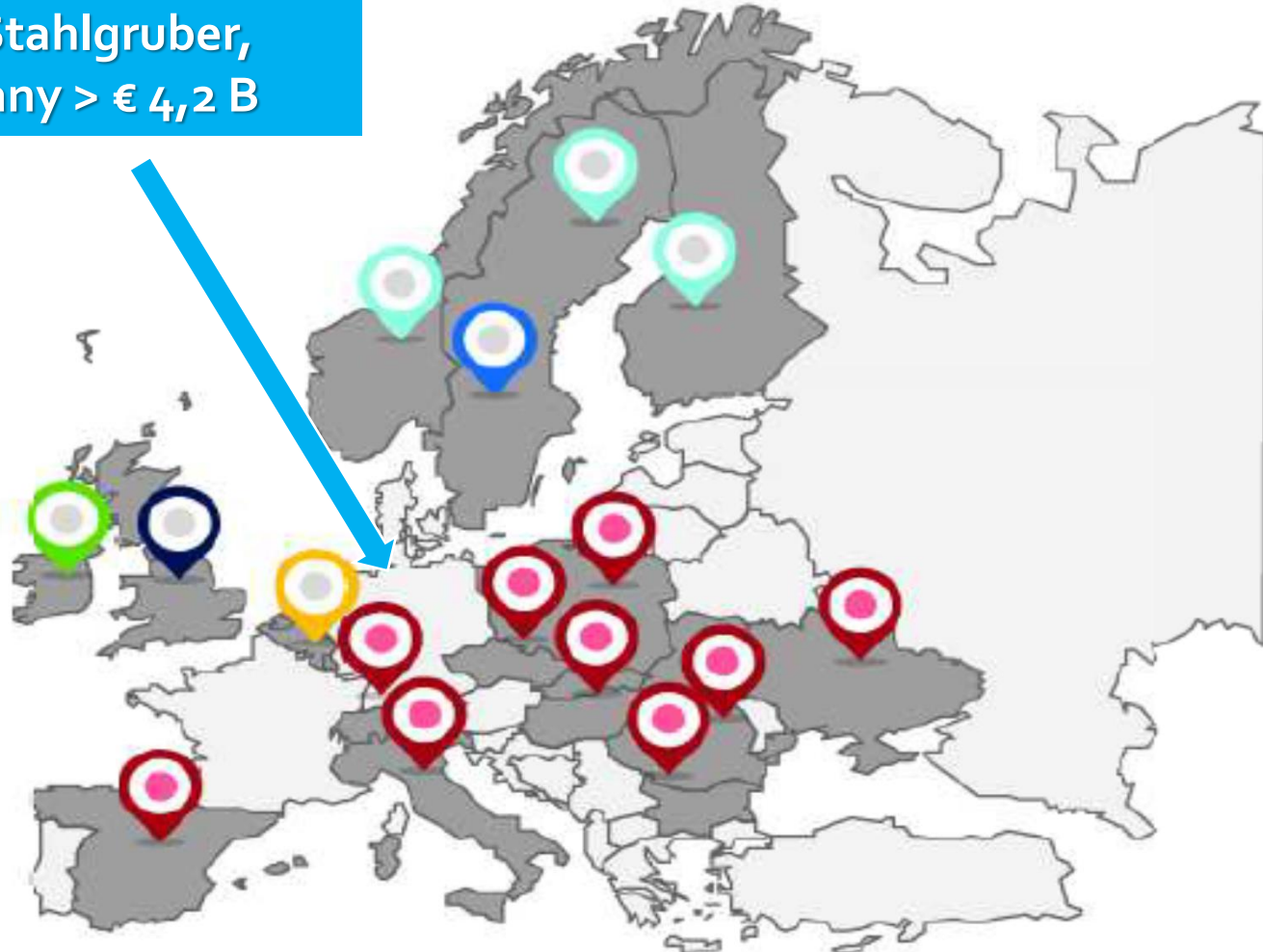
**KEEP
CALM**
IT'S
**LUNCH
TIME**

**YOU'RE EITHER
AT THE TABLE
OR
ON THE MENU..**

But also outside USA the americans drive the way ...



With Stahlgruber,
Germany > € 4,2 B





TARGET

2017



Before
Acquisition of
AAG

Revenue:

\$15,3 bn



After
Acquisition of
AAG

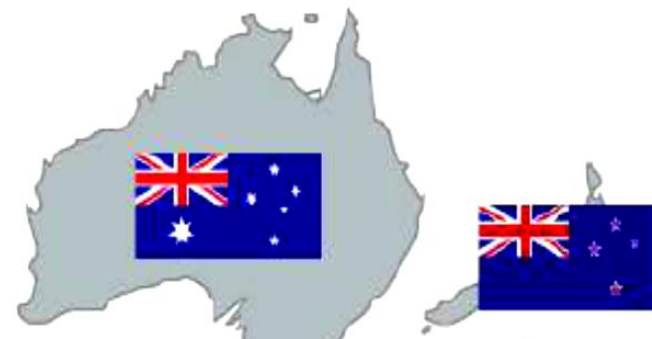
\$17,0 bn

Automotive Share in Revenue:

52%



57%

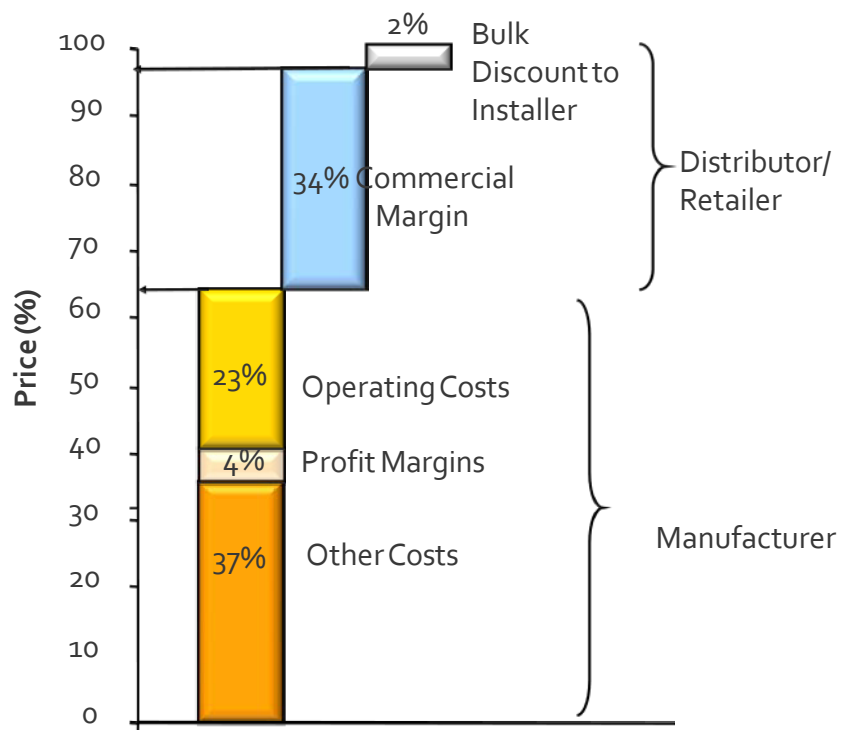


The margins are comperable but ..

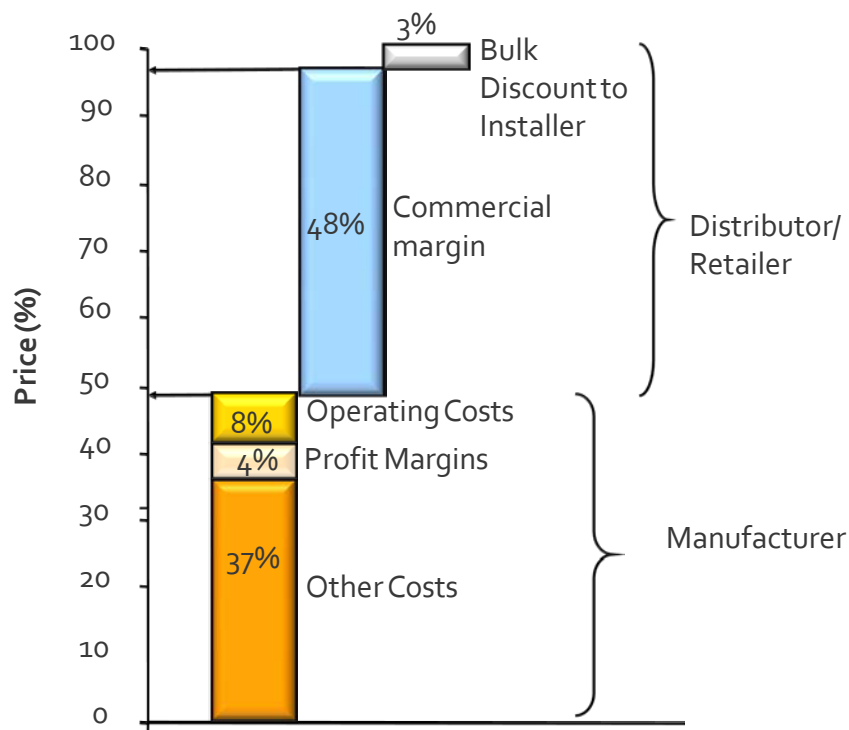
Average Margins for Manufacturer Brands

Average Margins for Private Label Products

End-customer (DIY and Installer) price index = 100%



- End-customer price index split in %-



- End-customer price index split in %-

Source: Frost & Sullivan

The results (have to be) luring...,
many of the European cant even dream of it ..!

| Company | Ticker | LTM | | LTM | | LTM | | Net Income | Margins | | | |
|---|--------|---------|----------|--------|---------|------|---------|---------------|---------|--------|-------|-------|
| | | Revenue | | EBITDA | | EBIT | | | Gross | EBITDA | EBIT | |
| PARTS RETAILERS & DISTRIBUTORS | | | | | | | | | | | | |
| Advance Auto Parts, Inc. | AAP | \$ | 9,373.8 | \$ | 909.4 | \$ | 660.1 | \$ | 475.5 | 43.6% | 9.7% | 7.0% |
| American Tire Distributors Holdings, Inc. | | | 5,030.7 | | 241.7 | | 89.1 | | (94.6) | 17.7% | 4.8% | 1.8% |
| AutoZone, Inc. | AZO | | 11,133.8 | | 2,391.7 | | 2,056.0 | | 1,336.1 | 52.3% | 21.5% | 18.5% |
| Genuine Parts Company | GPC | | 16,989.5 | | 1,273.5 | | 1,085.6 | | 633.2 | 30.6% | 7.5% | 6.4% |
| LKQ Corporation | LKQ | | 10,114.8 | | 1,103.2 | | 862.6 | | 550.4 | 38.8% | 10.9% | 8.5% |
| O'Reilly Automotive, Inc. | ORLY | | 9,104.2 | | 1,991.9 | | 1,745.1 | | 1,173.8 | 52.6% | 21.9% | 19.2% |
| Snap-on Incorporated | SNA | | 4,054.9 | | 1,018.9 | | 939.5 | | 579.1 | 51.1% | 25.1% | 23.2% |
| U.S. Auto Parts Network, Inc. | PRTS | | 300.9 | | 11.6 | | 5.0 | | 24.5 | 29.7% | 3.8% | 1.7% |
| Uni-Select Inc. | UNS | \$ | 1,573.2 | \$ | 118.6 | \$ | 87.7 | \$ | 44.0 | 32.7% | 7.5% | 5.6% |
| Mean | | \$ | 7,519.5 | \$ | 1,006.7 | \$ | 836.7 | \$ | 524.7 | 38.8% | 12.5% | 10.2% |
| Median | | \$ | 9,104.2 | \$ | 1,018.9 | \$ | 862.6 | \$ | 550.4 | 38.8% | 9.7% | 7.0% |



Market players

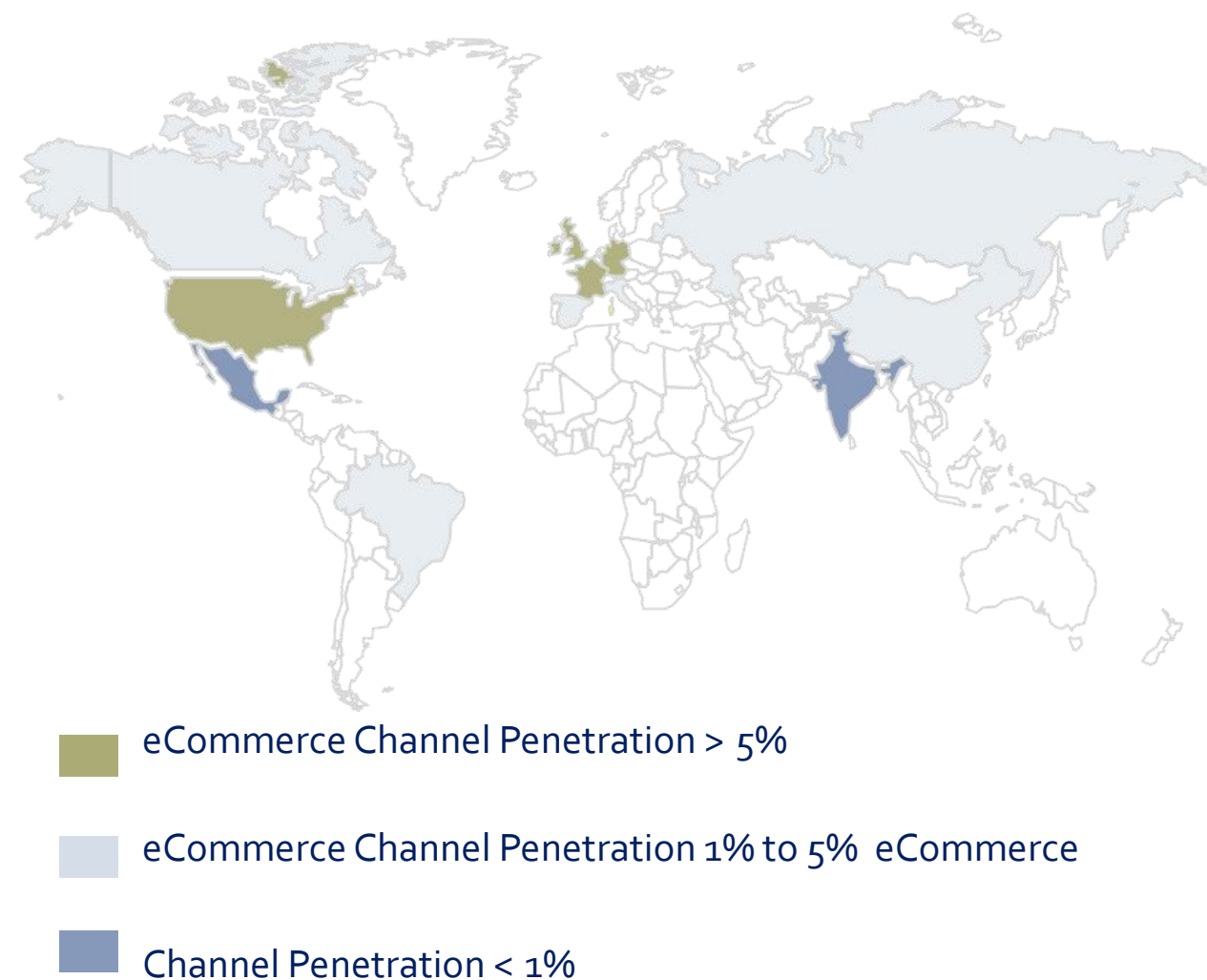
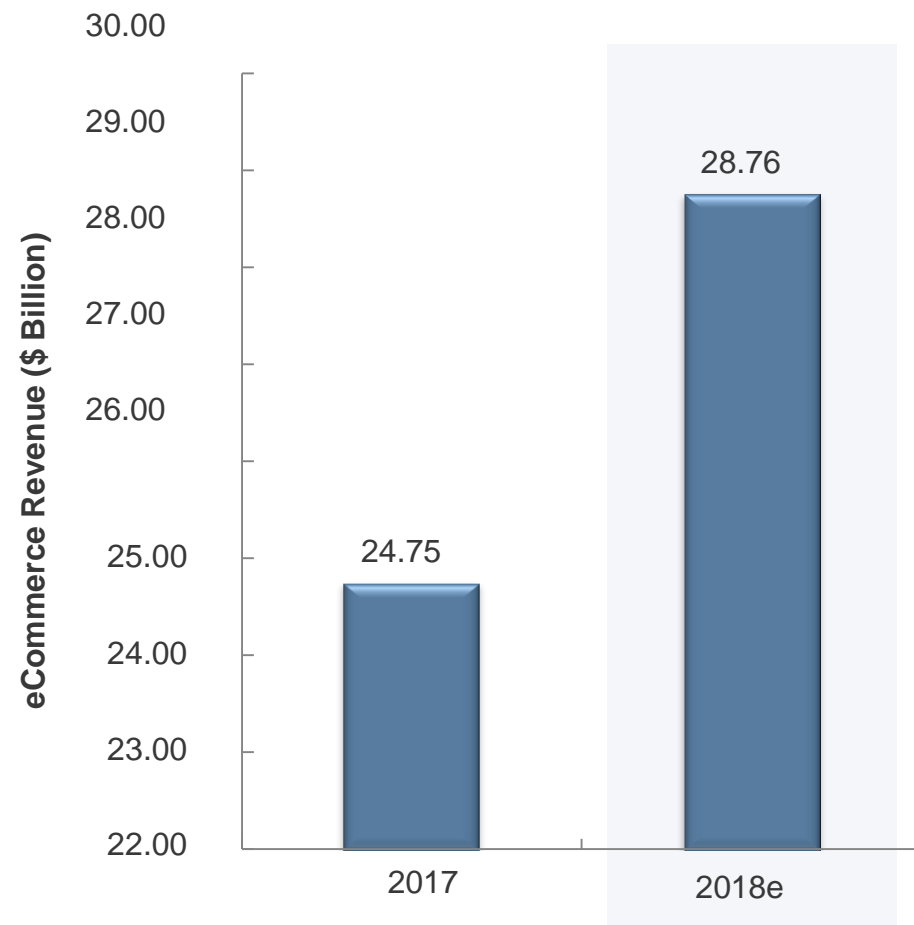


Global Automotive Aftermarket—2018 eRetailing Overview

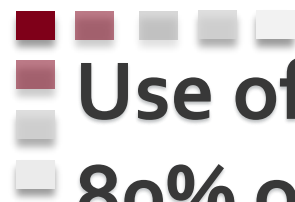


Penetration of online channel in aftermarket replacement parts to reach 4.5% globally by end of 2018.

eRetailing Revenue, Global, 2017 and 2018



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan



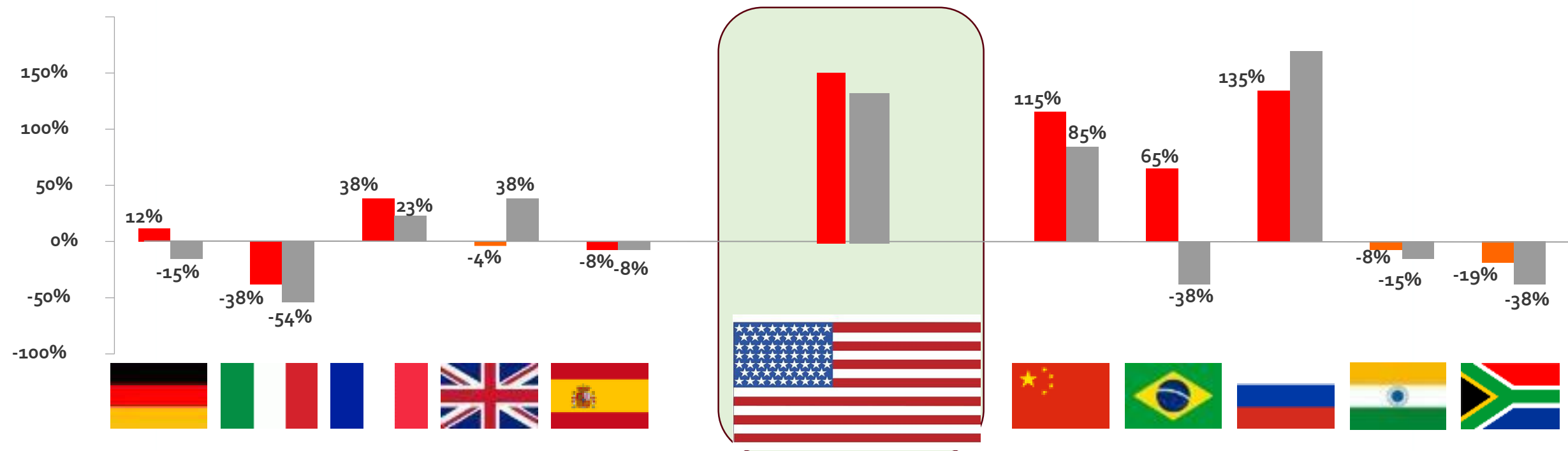
Use of the internet for car maintenance related topics

80% of the people search for parts first in internet



Request technical & prices information - 

Buy car parts / tyres / accessories / services... 



Amazon's Single Platform for Car Ownership

Lifestyle Management



All Products (Specialty/
day-to-day)



Sales, service through
IOT, connected services



Advisory

Automotive Ownership Management

Vehicle Sales



Car catalogs and virtual
garages

B2C Parts Sales



Online stores

B2B Parts Sales



Dedicated
online platform

Service Management



Service network and
home installation



Used car and
new car sales



Subscription delivery
services



Physical distribution
presence



Predictive services,
sales



VR, AR
showrooms



In-vehicle personalized
sales



Diagnostic tool
integration



Virtual assistant (repair/
purchase advice)

Source: Amazon.com,

Current Strategy

Future Strategy

The american consumer changed rapidly



- Life style changes
- Demystification of car
- Older, younger, women, ethnic
- Continously online experience
- Looking for savings, compares
- Online research, offline bargain or
- Practices with portals "do it for me"
- Environmentally sensible and active



Our world in a smartphone ...





**YOUR FAVORITE
SHOW IS STARTING
IN 8 MINUTES!**

**APPOINTMENTS:
PICK UP LOLA
FROM PAUL'S
BIRTHDAY PARTY
AT 5pm**



**SHOPPING LIST:
BUY DOG FOOD!**



**SELF-PARKING ALERT:
WATCH OUT FOR DOG!**

ABC CITY WEATHER FORECAST:

FRIDAY SUNNY, 25°C 
SATURDAY SHOWERS, 17°C 
SUNDAY CLOUDY, 20°C 

APPOINTMENTS:

LUNCH WITH JENNIFER AT 12:30PM
MOST RECOMMENDED LOCATIONS (AVAILABLE)
RICK'S CAFE ★ ★ ★
[AMERICAN, 23 RECOMMENDATIONS]
RAM YUN ★ ★
[KOREAN, 13 RECOMMENDATIONS]
DA UGO ★ ★ ★ ★
[ITALIAN, 10 RECOMMENDATIONS]



BECKY



STEVE



FRANK

FILLING STATION

FILLING STATION:

GASOLINE PUMP: NOT AVAILABLE
5 ELECTRIC CHARGING STATIONS
1 COMPRESSED NATURAL GAS STATION



ABC LOCAL:

CONGESTION: WEST RING,
DURBAN HOSPITAL EXIT
CONSTRUCTION: SOUTHERN
ROAD, BLOCK A
PARKING: 320 SPACES FREE
CLOSEST: MAIN POST OFFICE;
PLEASE FOLLOW NAVIGATION



WHAT'S UP IN ABC CITY?

HIGHLIGHT: 8pm MESSA DA REQUIEM (VERDI)
PERFORMED BY ABC CITY ORCHESTRA AND CHOIR
(TOWN HALL)
CINEMA: PLEASE CHOOSE GENRE OR LOCATION
THEATRE: 7.30pm ROMEO AND JULIET
(SHAKESPEARE) PERFORMED BY THE NORTHERN
DRAMA GROUP (ABC THEATRE)



THE DAWN OF THE DIGITAL CAR





Connectivity, telematics..



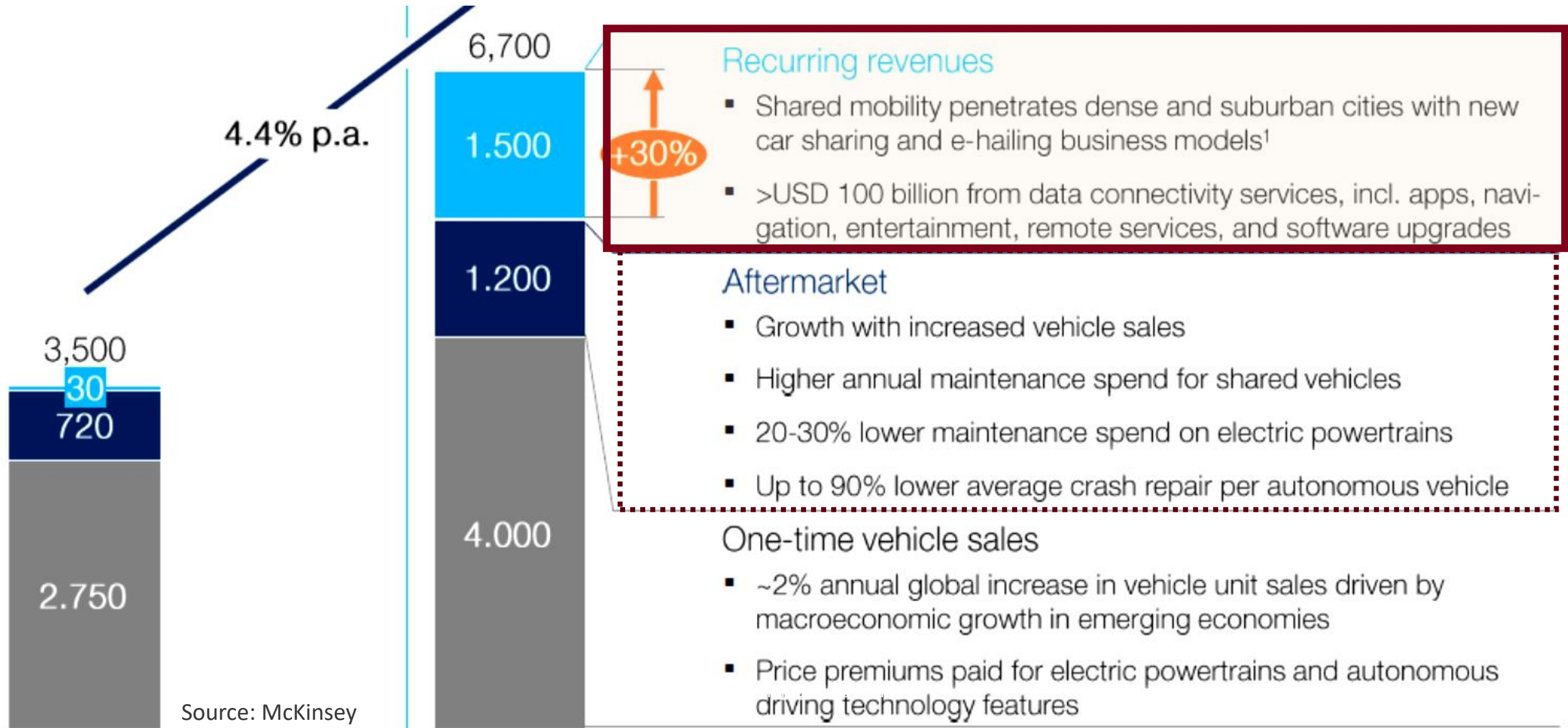
- Plenty of solutions; startups, IT, OEMs
- Not yet any severe market influence but new business models will be enabled
- Huge market potential is speculated..





BUT...who is going to profit from that?

WDs, new entrants?





The OEMs do not sleep ..



Service

| | | |
|----------------------------|---|---|
| Vehicle diagnostics | X | x |
| Maintenance notifications | X | x |
| Driver monitoring | X | x |
| In-vehicle apps | X | x |
| Remote Access | X | |
| Marketplace e-commerce app | X | x |
| Amazon in-vehicle delivery | X | x |

Source: GM

Who owns my data? Active public affairs with results!



Tell Congress: Vehicle Owners Should Control Their Data

Vehicle data is the most pressing issue facing our industry and it is time that we take a stand.

[Take Action>](#)

Be Car Care Aware®

USA Aftermarket in a nutshell



VIO
(Million Units)

2018:
300.2



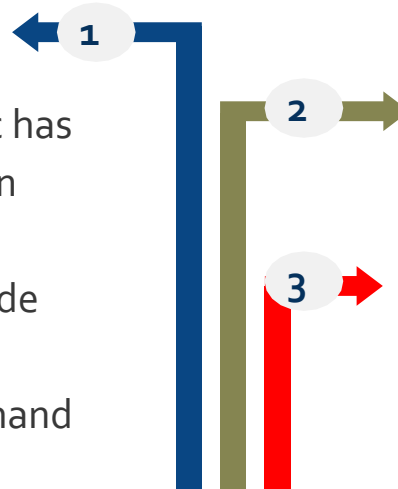
Revenue (\$ billion)

2018:
\$88.11



Top 3 Influencers

Share of 8-11-year- old vehicles in the vehicle parc has estimated to drop to 16% in 2018, from 22% in 2015. This will impede the growth in aftermarket demand in the short term.



eCommerce participants like Amazon and eBay will continue to expand and grow their aftermarket offerings, thereby increasing competition.

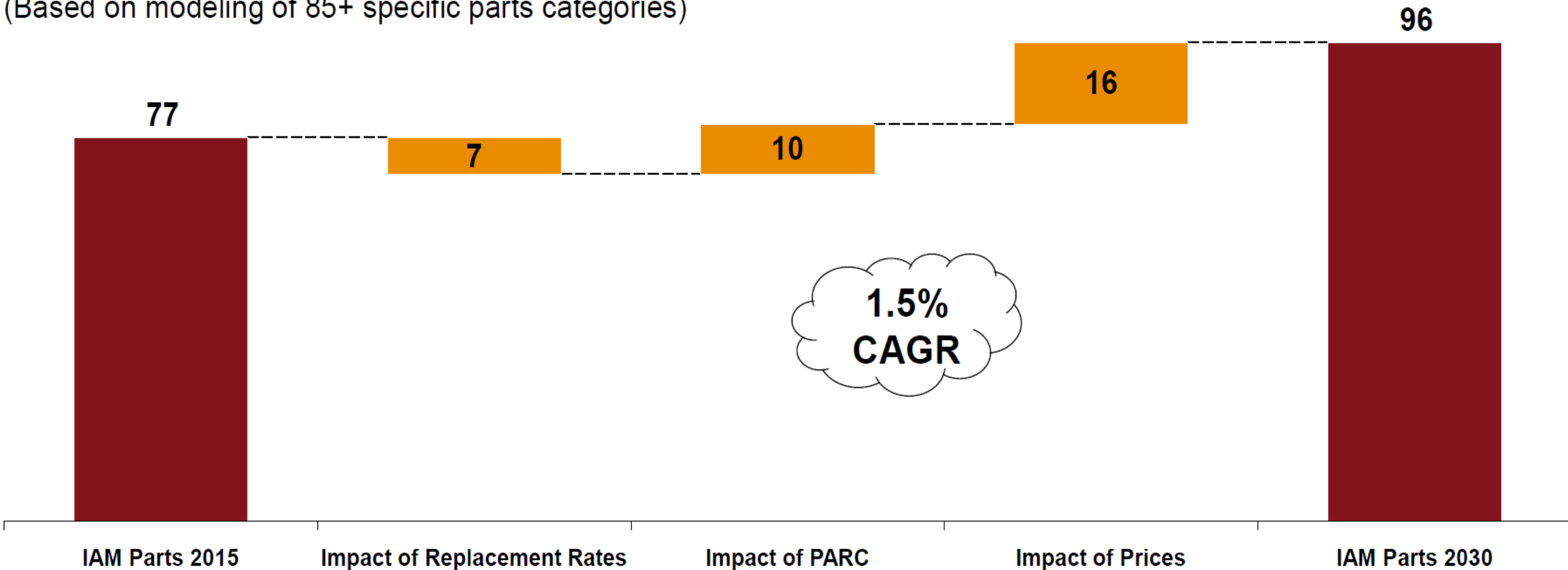
Advanced technologies like telematics and voice assistants will create predictive models of servicing and change the vehicle service and insurance market.



Growth until 2030



US Independent aftermarket parts market size (\$B)
(Based on modeling of 85+ specific parts categories)



Electrification and Hybridization will effects the product side but not before 2030...

Brake drums



Drum brake linings



Replacement rotors



Brake pads



Brake calipers



Shocks & springs



Clutch discs



Catalytic converters



Exhausts



Vehicle lamps



Belts



Block heaters



Forced induction devices



Thermostates



Parking sensors

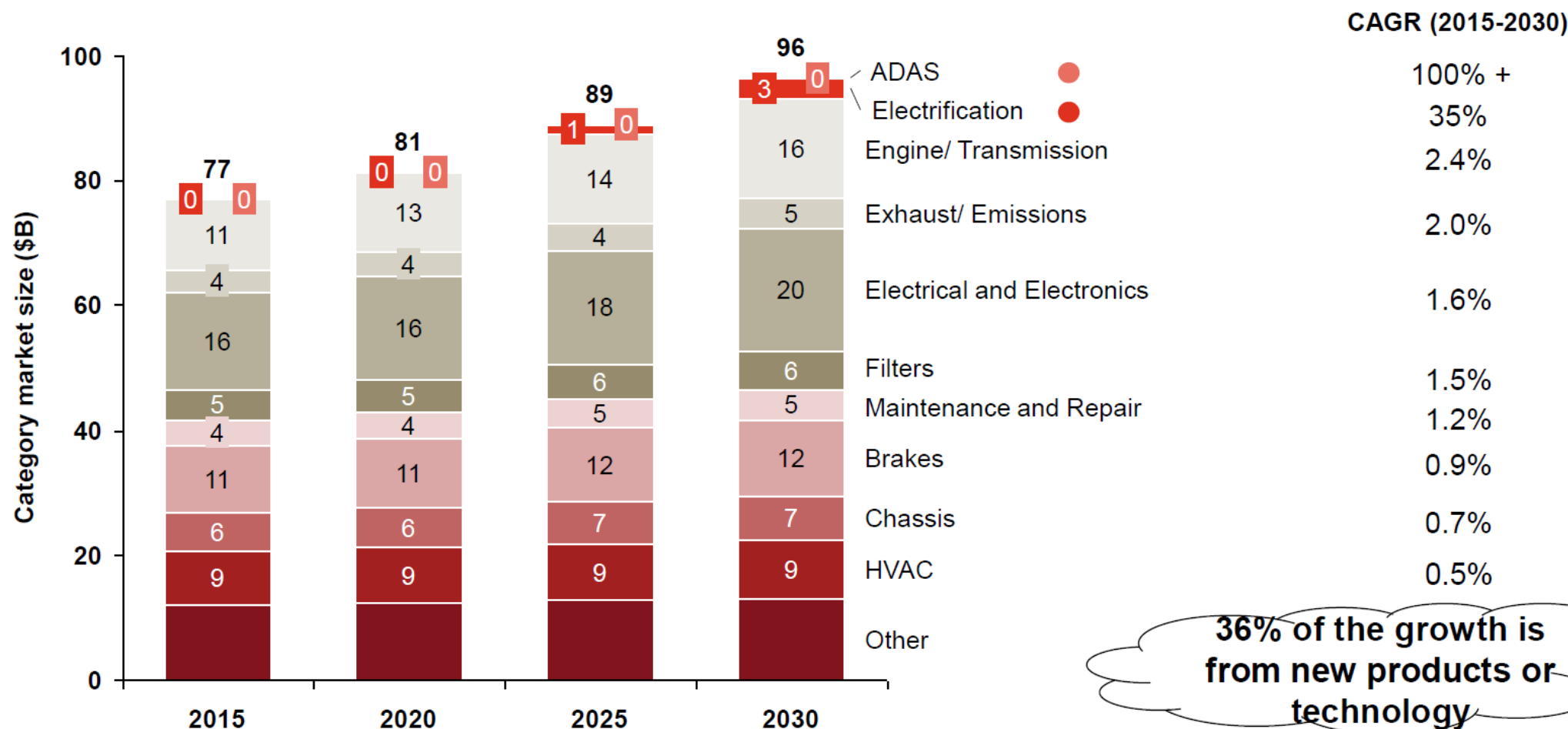


Particulate filters



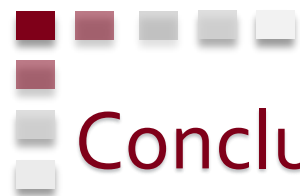
Source: GfK

Growth is from new products until 2030



Note: U.S. light-vehicle aftermarket parts market excluding labor, dealer business, oil, tires, collision and body work, OTC telematics, tools, and equipment. Other includes appearance, accessories, and other miscellaneous parts.

Source: Strategy& analysis



Conclusions



- The future of the American automotive aftermarket is bright. Industry trends and macro-economic trends will allow the automotive aftermarket industry to grow at a sustained rate of **3.4%** in the near term
 - These trends include: longer-lasting vehicles and growing age of vehicles on the road, increasing overall vehicle population, growing parts complexity, year over year increases in miles driven, lowering gas prices, and steadily improving US economy.
- Industry consolidation is expected to continue as bargaining power and profits shift increasingly downstream to aftermarket retailers.
- Currently at \$6 Billion annually, eCommerce sales in the industry are expected to reach \$16.6 Billion per year by the end of the decade. Unprepared companies will not share in the spoils.
- There are noteworthy challenges and opportunities that face the industry in the short term:
 - Challenges include: modernizing and digitizing store formats to adapt to Generation Y preferences, dealing with implementation of software technologies in vehicles and the growing complexity of parts, coming up with answers to the technician turnover problem.
 - Opportunities exist in: integrating traditional sales with online channels to engage and guide customers to a path of purchase, adopting technologies and big data analytics to gain insight into customers and make smarter decisions, and perhaps most importantly, improving supply chain efficiencies in order to fulfill customer orders as quickly and accurately as possible.

Thank You for your attention!



let's talk: **f.katsardis@temot.com**

