IHS AUTOMOTIVE

Presentation

Global Industry Outlook

VI. ANNUAL TAYSAD AFTERMARKET CONFERENCE|
ISTANBUL MAY 29th 2015

ihs.com

IHS AUTOMOTIVE
driven by POLK

Marcus Zahren, Sr. Manager, Aftermarket Products EMEA

Agenda

MARKET DYNAMICS IMPACTING THE AFTERMARKET

- Large Markets' Light Vehicle Sales Forecast
- Vehicle Penetration Rates
- Products In-Market
- Segmentation Dynamics Drive OEM & Aftermarket Prospects
- Supplier Dynamics

VEHICLES IN OPERATION OUTLOOK

- VIO trend
- Average age trend
- Age class distribution trend

DEMAND DEVELOPMENT

- Average km driven
- Repair & maintenance frequency
- Technology trends

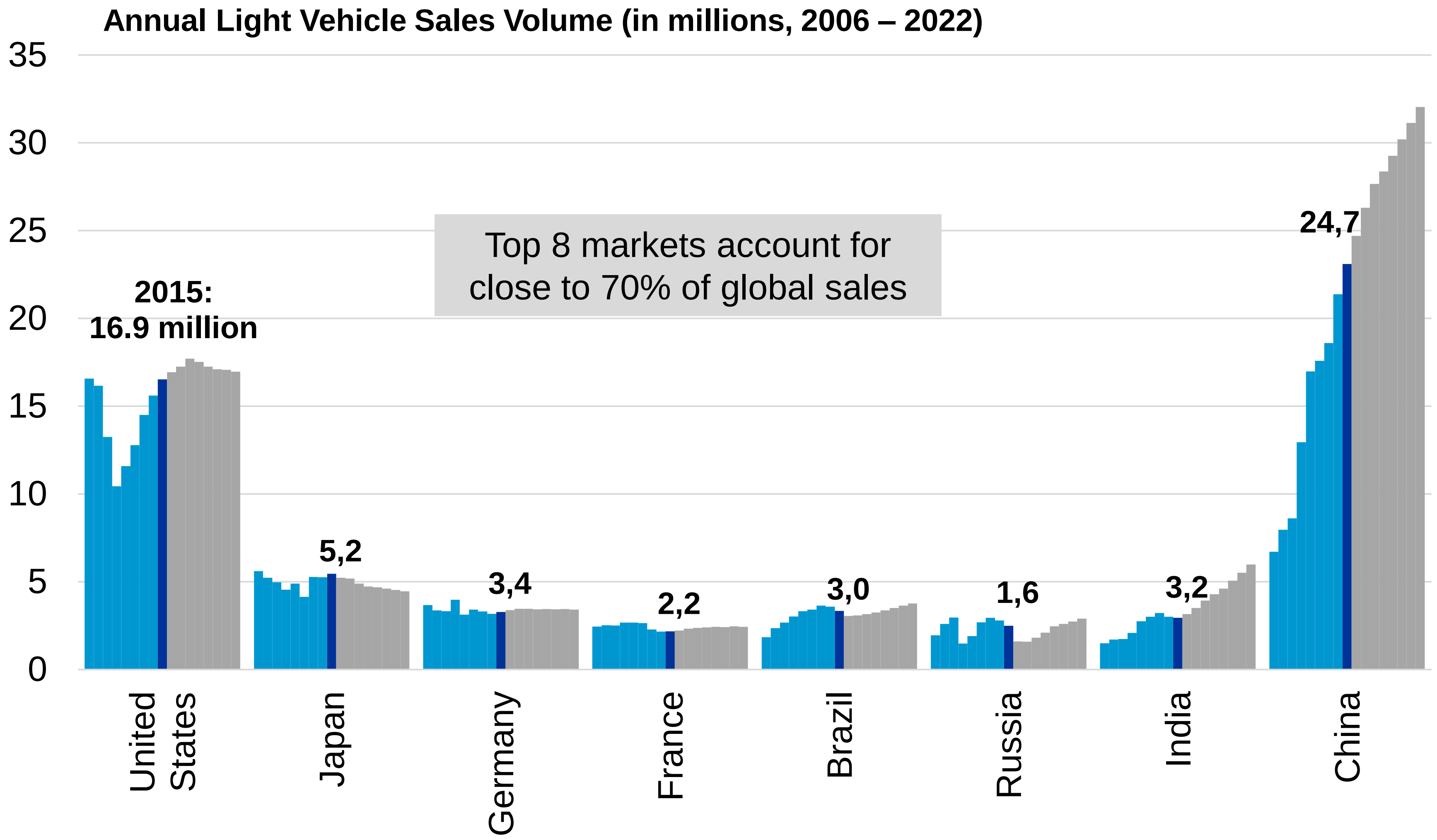
SUPPLY TRENDS

- OEM Aftersales
- Parts industry – Independent aftermarket
- Distribution IAM
- End consumer and garage level

SUMMARY

MARKET DYNAMICS IMPACTING THE AFTERMARKET

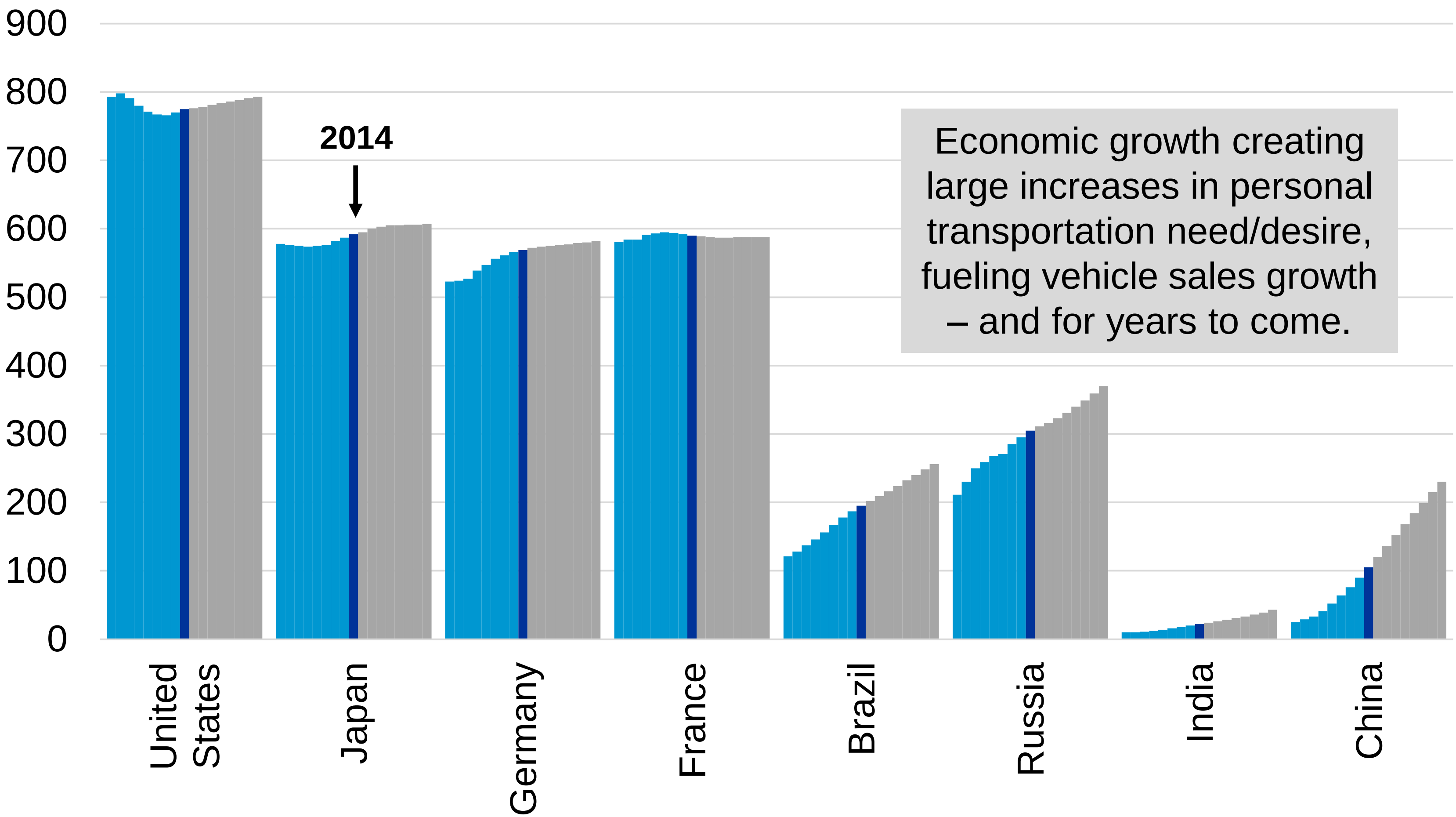
Large Markets' Light Vehicle Sales Forecast



China Remains Dominant; Little Sales Growth Expected for Developed Markets

Vehicle Penetration Rates

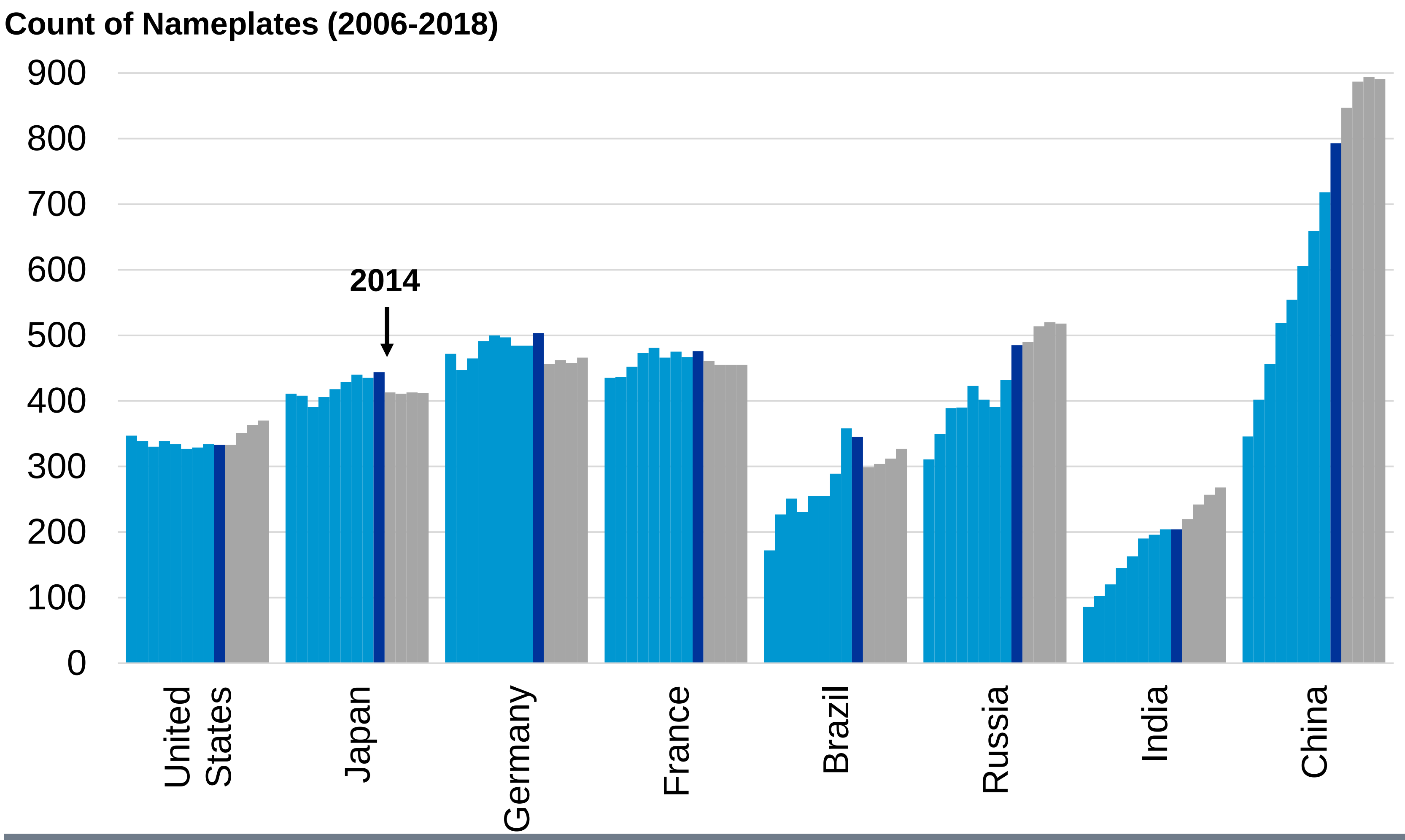
Light Vehicles in Operation Per 1000 People (2006 - 2022)



Although Volatile, BRIC Markets Still Offer the Most Growth Potential

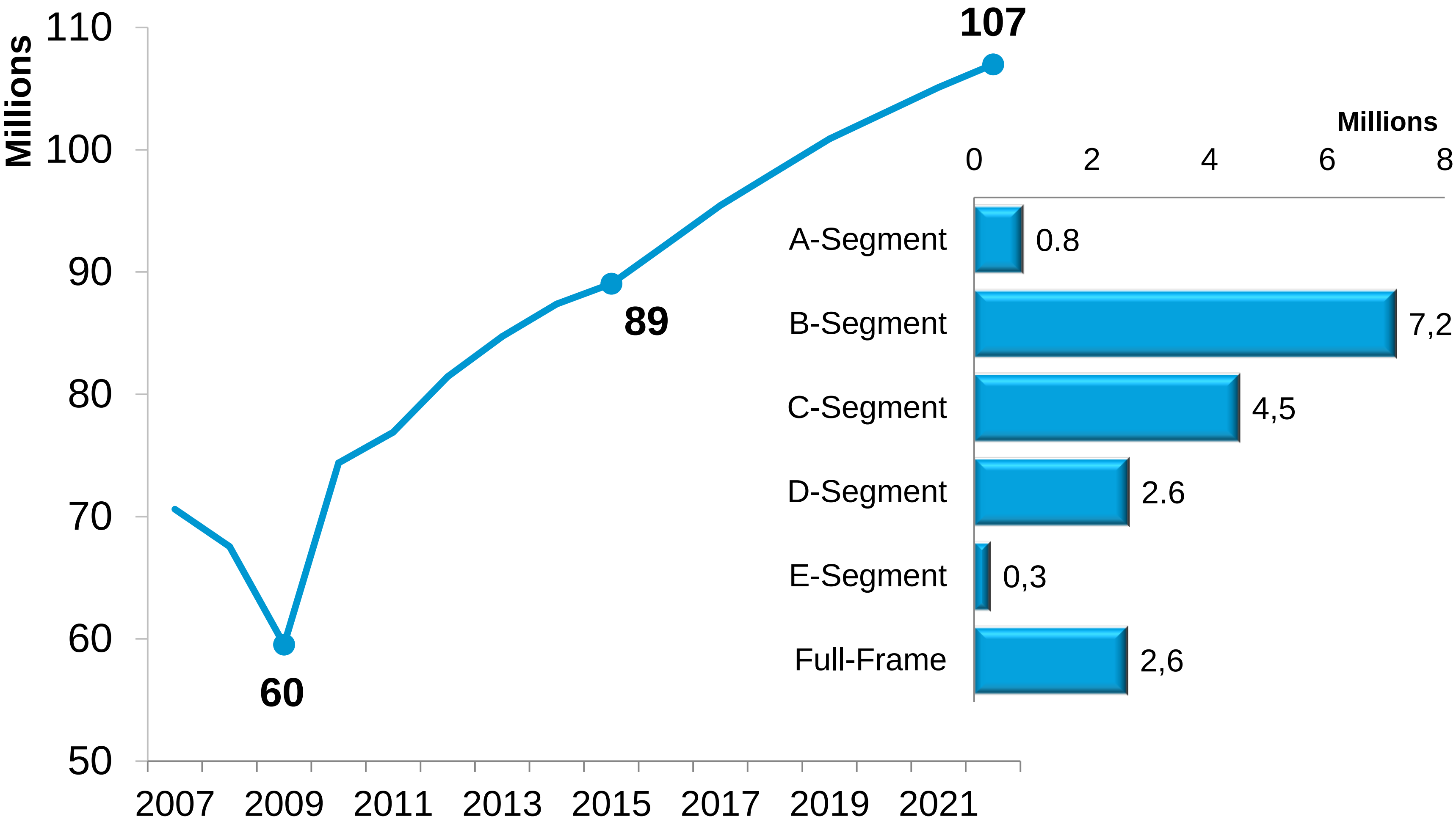
Source: IHS Automotive

Products In-Market



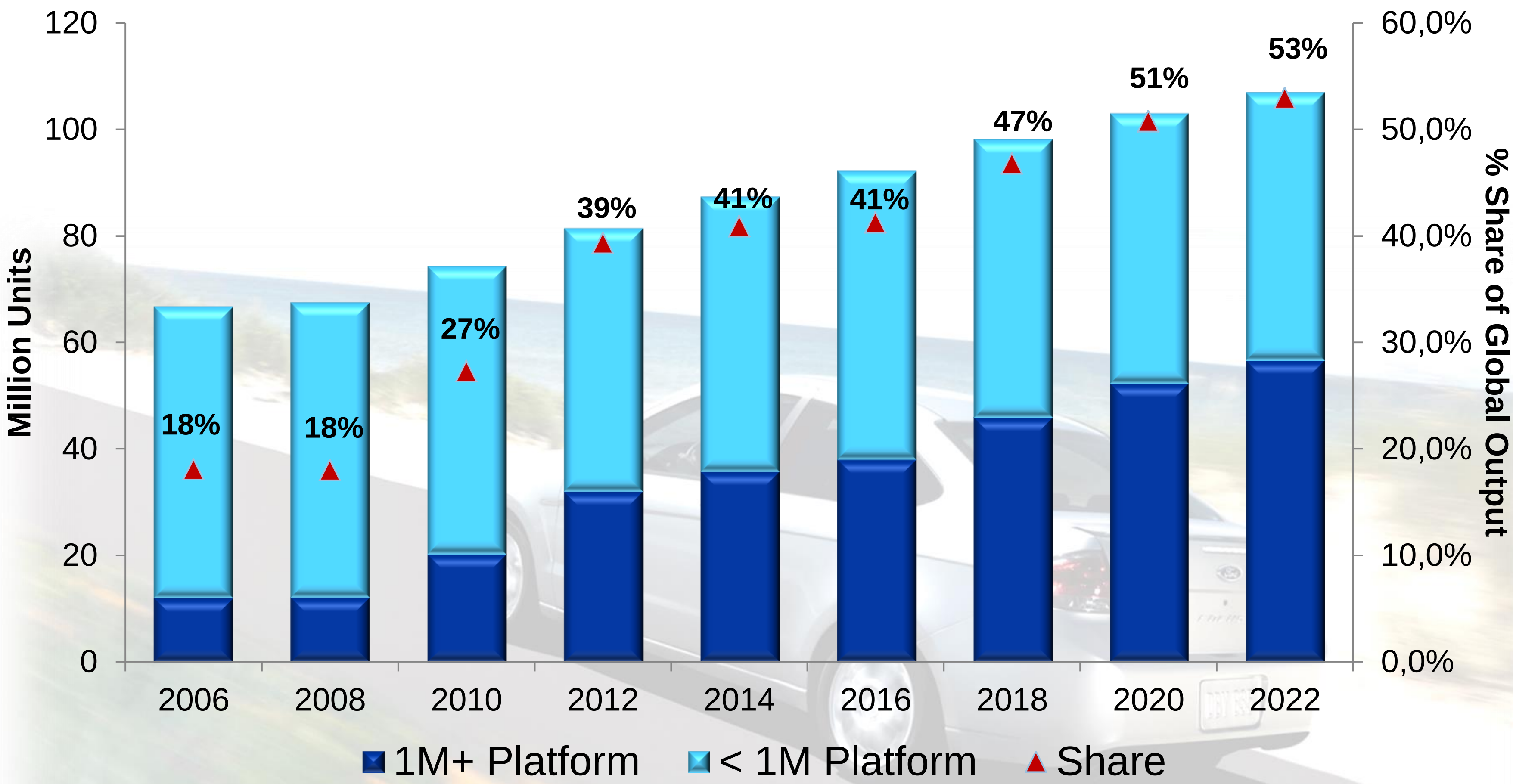
More Variety to Continue Rising in BRIC and Other Developing Markets

Segmentation Dynamics Drive OEM & Aftermarket Prospects



Growth of annual production:
2009-2015: +29 m. and 2015-2022: +18m.

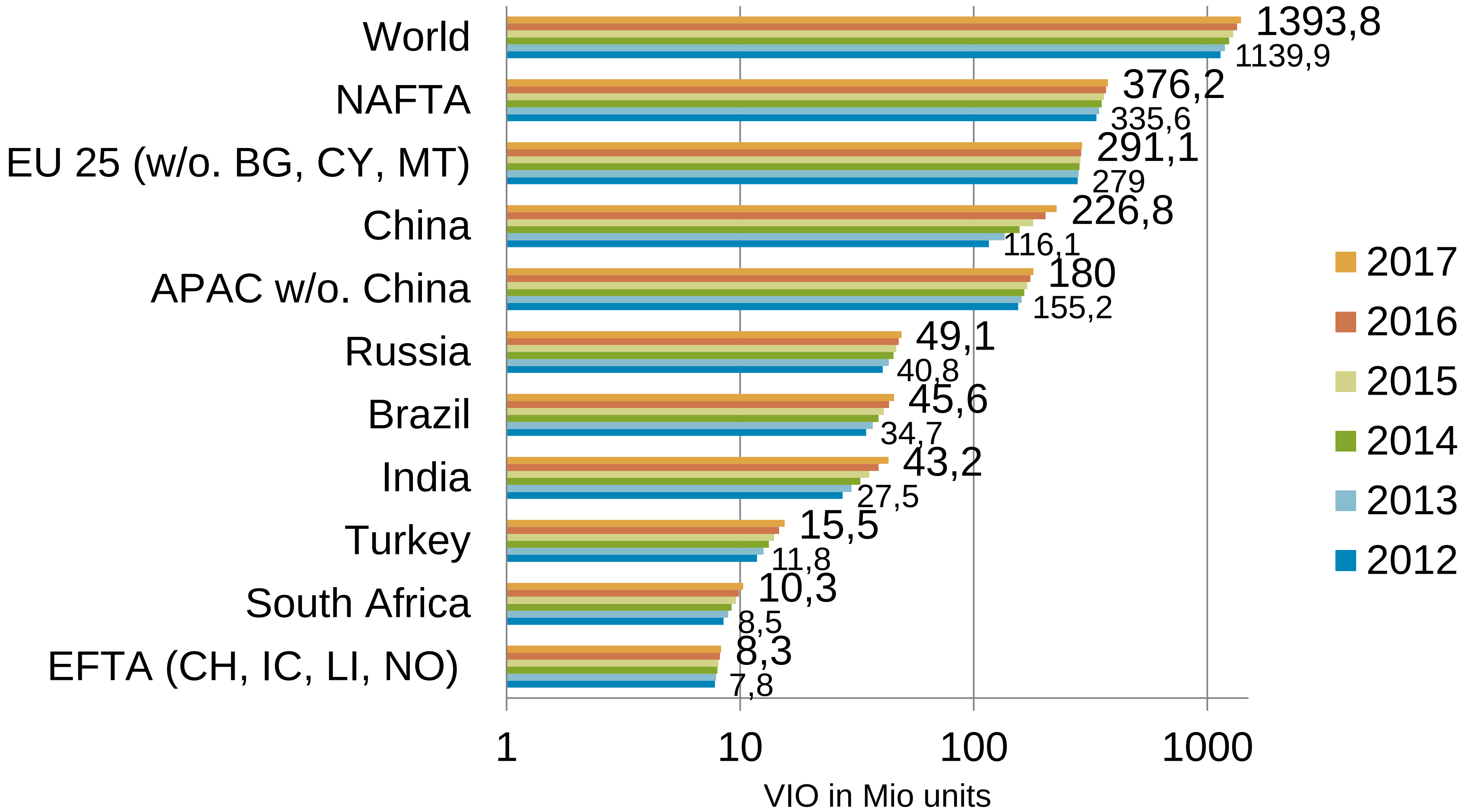
Supplier Dynamics



Mega Platforms Drive Production Growth:
Consolidation Accelerates with Greater Cross Segment Application

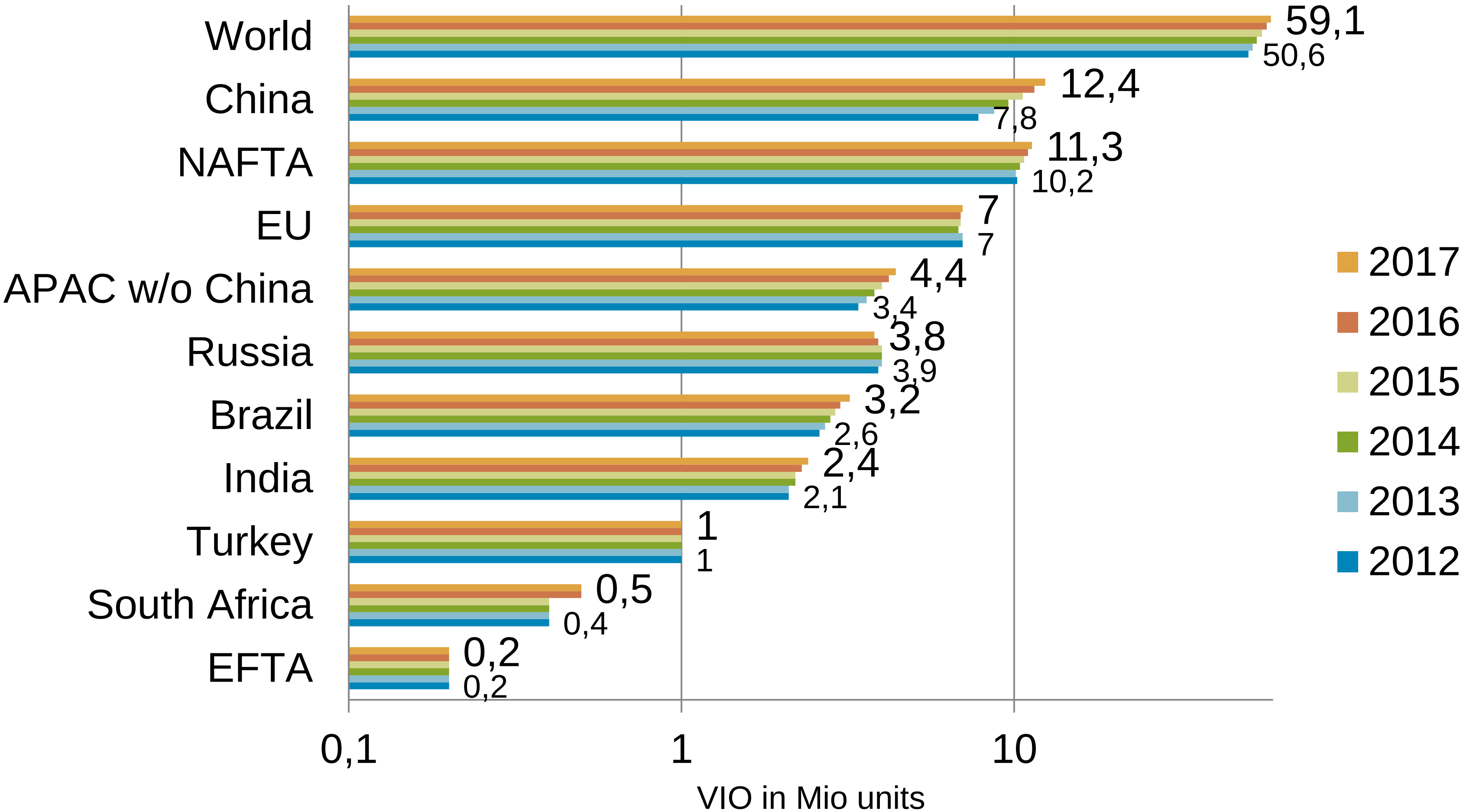
VEHICLES IN OPERATION OUTLOOK

Global VIO trend– light vehicles



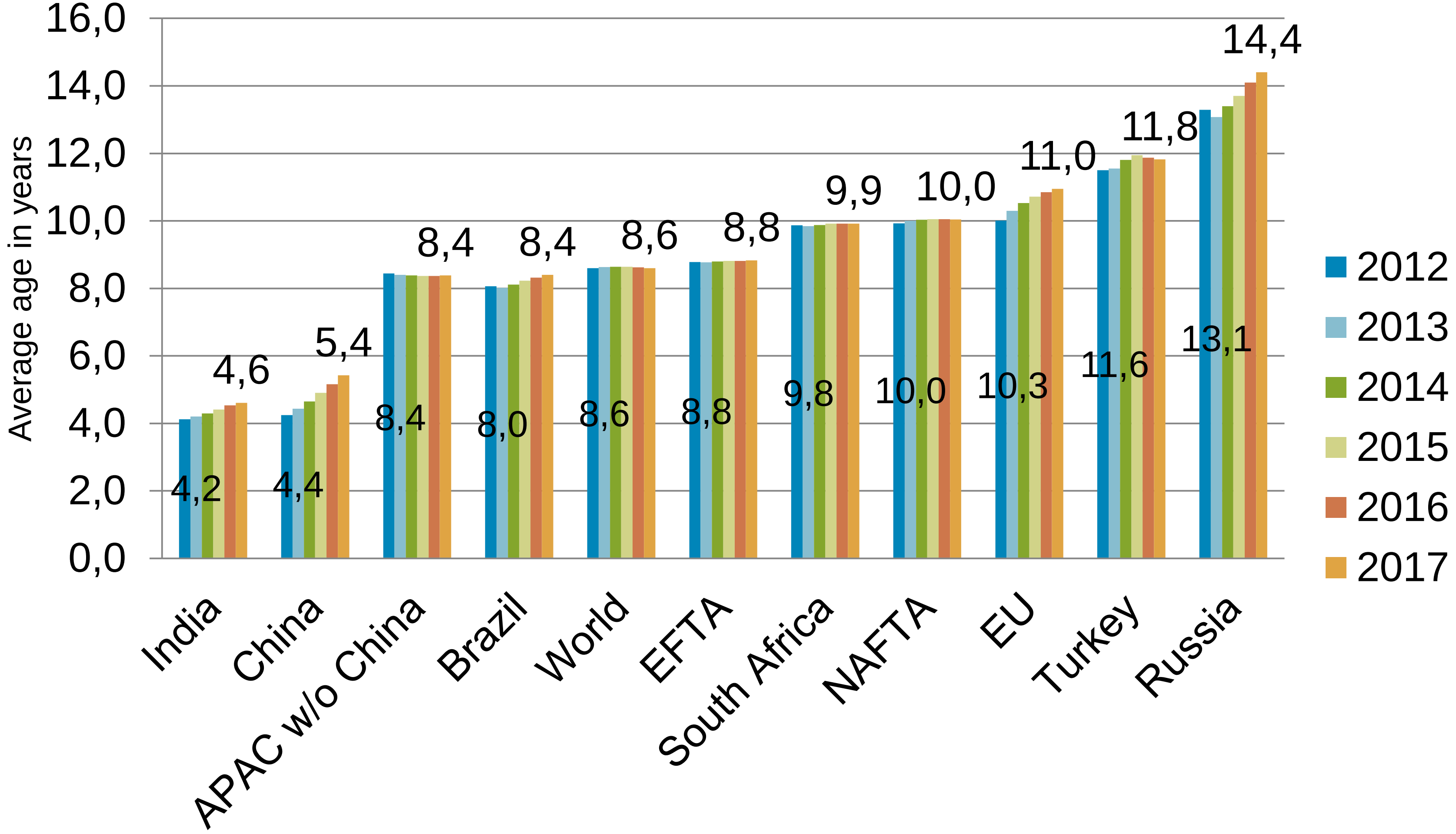
Overall growth 2012 -2017: 254 Mio. or 22%

Global VIO trend– commercial vehicles > 3.5 tons



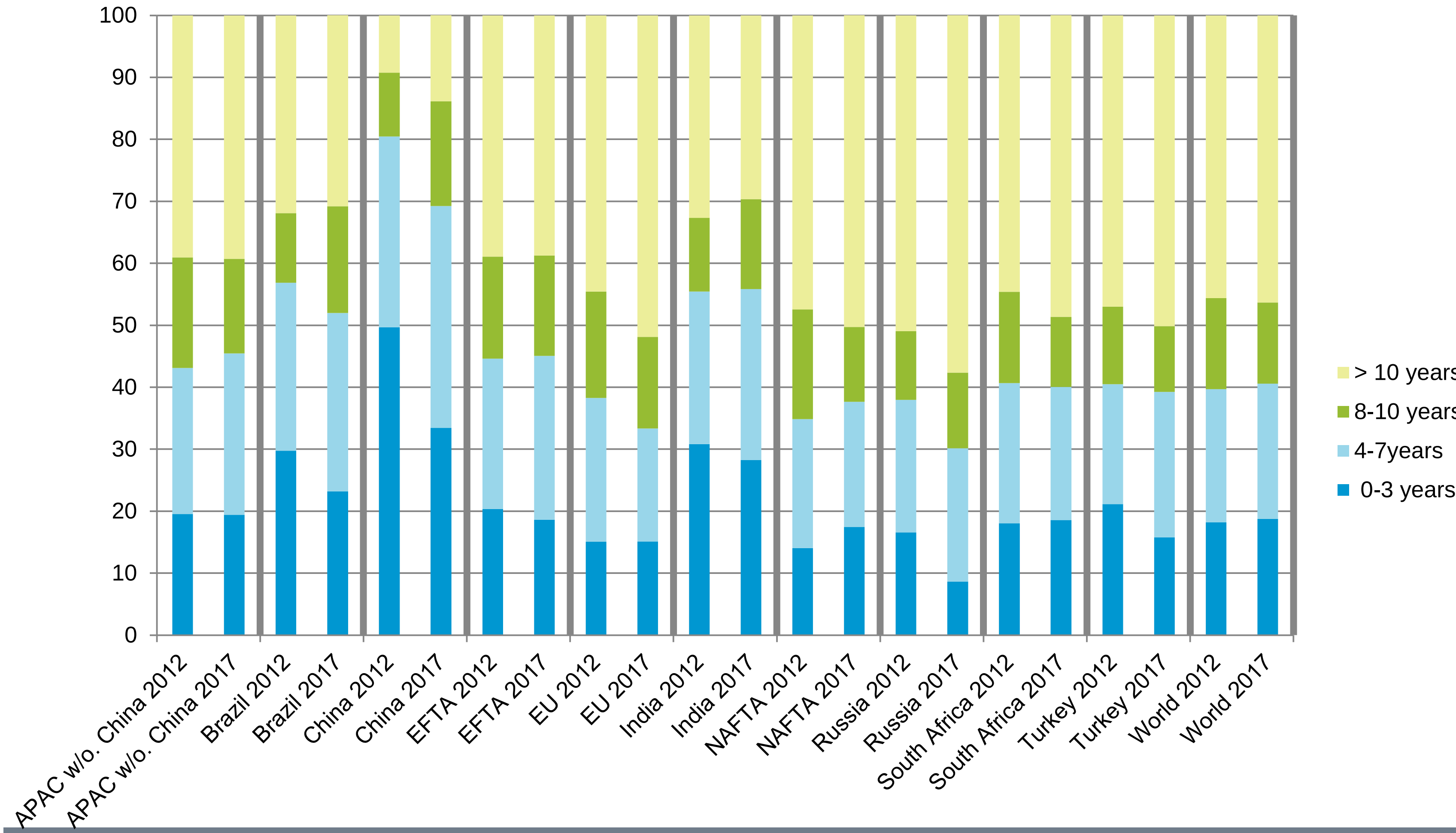
Overall growth World 2012 -2017: 8,5 Mio. or 17 %

Global Average age trend – light vehicles



Average age rising in China –stable across the world

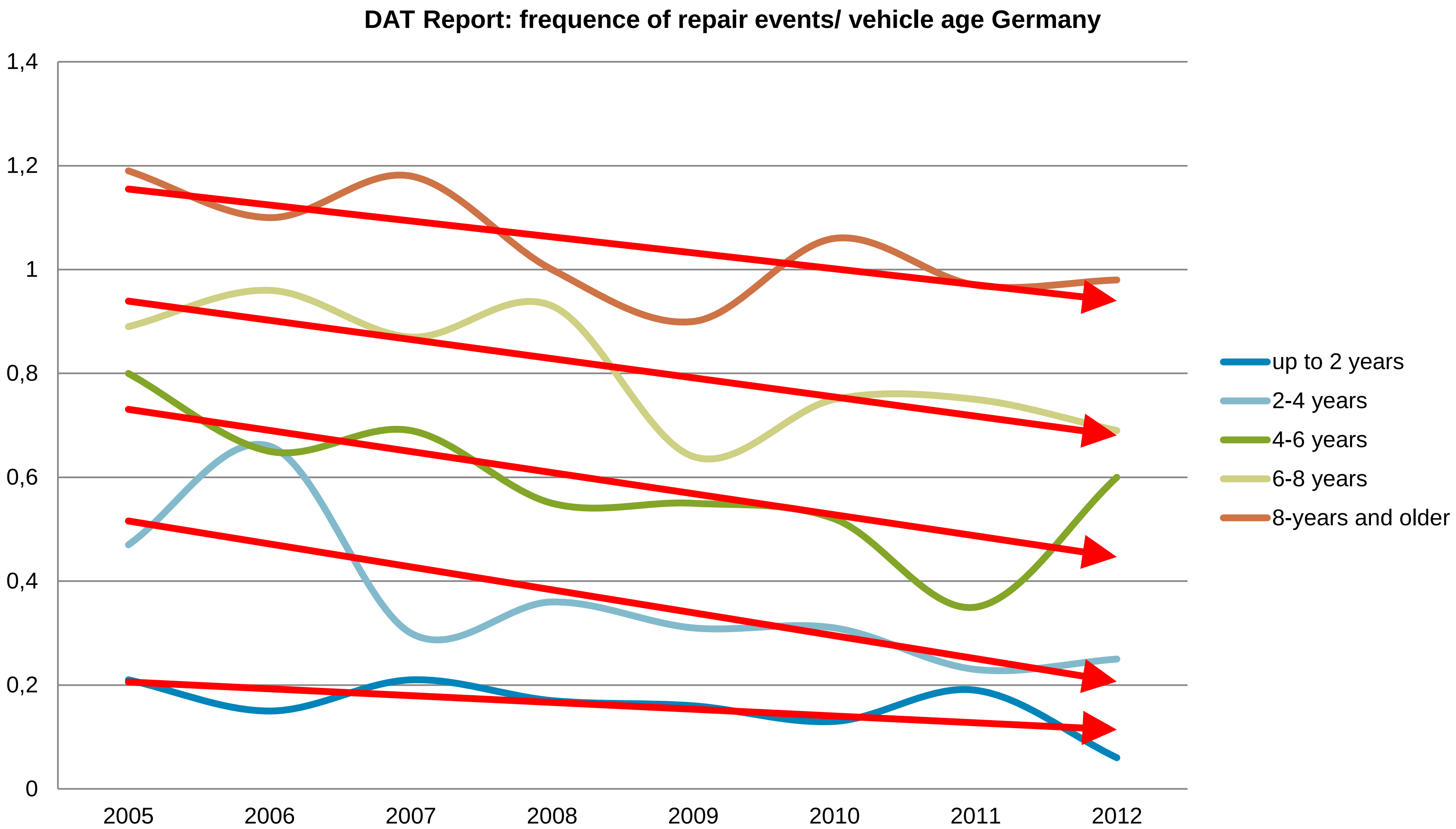
Global age class distribution trend - light vehicles



Shifts in age class distribution towards older segments tend to be in favor of independent aftermarket – exception NAFTA

DEMAND DEVELOPMENT

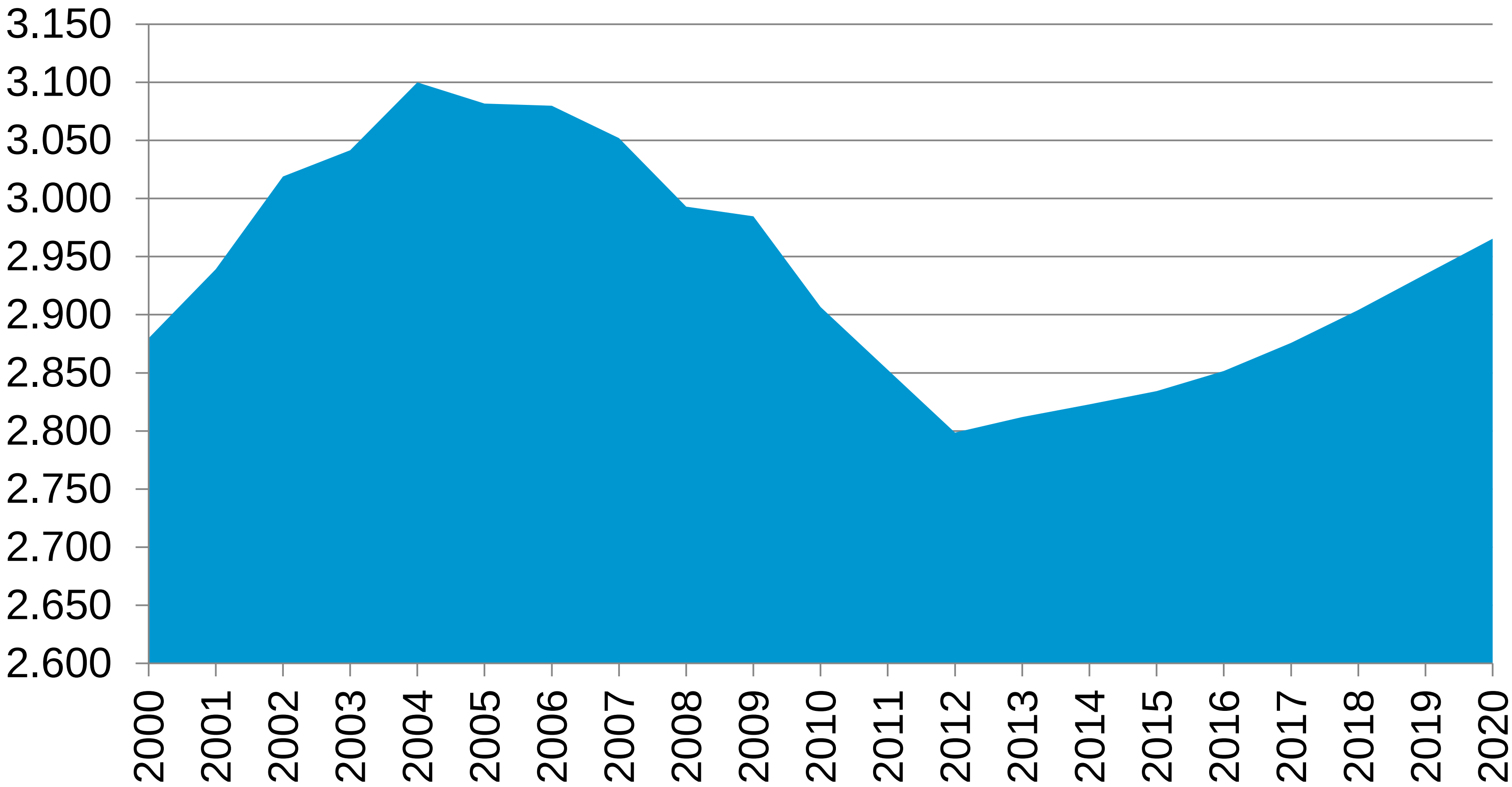
Repair & maintenance frequency



For all vehicle ages, the trend of repair frequency is going down due to improved parts quality and extended maintenance intervals.

Average km driven

Europe- Total km driven annually, Passenger vehicles, in billion km



Average km driven is recovering slowly, but will never reach previous peaks. Urbanization, aging population and alternative transportation means are causes.

Technology trends

- Security:
  - Connected car
    - *Who owns and who processes the repair and maintenance data?*
  - Autonomous driving
  - TPMS
- Sustainability:
  - CO_2 and emission reduction
    - Alternative propulsion
    - Engine downsizing
      - Turbo charged petrol engines
  - Parts remanufacturing
- Comfort:
  - Infotainment
  - Driver assistance systems

New technologies will have a huge impact on quality and quantity of aftermarket demand but will be introduced only gradually with the slowing renewal of VIO.

SUPPLY TRENDS

OEM aftersales

- OEM defending their original parts and service image, for example
  - Audi PR campaign „demonizing“ the IAM (2015)
- Major OEM distributing parts of smaller OEM, for example
  - Volkswagen‘s NORA Zentrum offering parts for Daihatsu, Honda, KIA and Mitsubishi
- OEM (re-) launching Aftermarket parts brands, for example
  - Ford Motorcraft in Germany (2014)
- OEM using IAM expertise, for example
  - PSA – Eurorepar buying Online parts shop Mr Auto (2015)
  - PSA Original distributing through Certus (D), subsidary of Autoteile Post (2009)

OEM are differentiating their aftersales strategies: competition and cooperation with IAM and other OEM depending on specific market conditions.

Parts industry – Independent aftermarket

- Mergers & acquisitions, for example
  - ZF Friedrichshafen acquiring TRW Automotive (2014-)
  - Mahle took over Behr
- Strategic partnerships and joint ventures, for example
  - Behr-Hella
  - Hella TMD Friction
- Private Equity engagement, for example
  - KPS Capital partners founded Chassis Brakes Interantional by taking over Bosch‘s (ex- Allied Signal) brake foundation business (2012)
- Globalization, for example
  - Chinese manufacturer, like GSP expanding in Europe

The aftermarket continues to be pillar of growth and profitability for the parts industry. Globalization and cross selling opportunities.

Distribution IAM

- Concentration of traditional IAM distributors, some examples
  - Wessels + Müller took over Trost SE(D) (2014), Trost and KSM merged (2009)
  - Stahlgruber took over PV Automotive (2013)
  - Rhiag (I)took over Era (I) (2014)
- Geographical expansion, for example example
  - Rhiag took over Italparts (PL) (2015)
- New cooperations, for example
  - Nexus Automotive, buying group focusing on new target markets: Eastern Europe, Africa, Middle East, South America
- New powerful players for example:
  - Amazon, Ebay, Alibaba

Stagnating/ decreasing market volume and growing importance of online trade intensify change the competitive landscape rapidly.

End consumer and garage level

- unfavorable economic situation forcing many consumers to reduce repair spend
- internet providing price transparency
- OEM reducing number of dealers
- IAM branded chains gaining awareness
- IAM repairers requiring investment into new technologies and training
- growing share of volume steered by intermediates like insurers, fleet operators and leasing companies
- vehicle and parts identification remaining key for providing good quality and fast service
- Connected car will revolutionize service communication

Different segments like owner types and vehicle age require distinct service offers and marketing strategies.

SUMMARY

Summary

- The aftermarket remains a complex and high-competitive business, increasingly effected by globalization.
- In mature markets, reduced repair spend and reduced failure rates mostly offset positive effects of an aging vehicle population.
- The traditional market division into OEM authorized and Independent segments is being replaced by more differentiated structures.
- The broad mix and lagged renewal of the vehicles in operation across most countries will slow down but not hamper the effects of new vehicle technologies on the repair and maintenance market.
- The right mix of efficient online parts marketing & sales, global sourcing and logistics combined with excellent local customer service might be a good definition of a success formula for the aftermarket.

About IHS

IHS AUTOMOTIVE
driven by POLK

IHS Automotive, part of IHS Inc., offers clients the most comprehensive content and deepest expertise and insight on the automotive industry available anywhere in the world today.

With the addition of Polk in 2013, IHS Automotive now provides expertise and predictive insight across the entire automotive value chain from product inception—across design and production—to the sales and marketing efforts used to maximize potential in the marketplace. No other source provides a complete picture of the global automotive industry.

Solutions for the aftermarket include detailed data and forecasts on the vehicles-in-operation as well as vehicle specification, part number and application research.

IHS is the leading source of information, insight and analytics in critical areas that shape today's business landscape.

IHS has been in business since 1959 and became a publicly traded company on the New York Stock Exchange (NYSE: IHS), in 2005. Headquartered in Englewood, Colorado, USA, IHS is committed to sustainable, profitable growth and employs about 8,800 people in 32 countries around the world.

Contact us

IHS AUTOMOTIVE
driven by POLK

Marcus Zahren
Senior Manager, Aftermarket Products EMEA
Phone: +49 201 1857 9403| Mobile: +49 173 7182086
marcus.zahren@ihs.com

Thomas Renkawitz
Director Business Development
Automotive Markets EMEA
Phone: +49 69 20973 213 | Mobile: +49 170 2926765
thomas.renkawitz@ihs.com

www.ihs.com