



Are you a top performer?

Product portfolio leadership

#1 contributor to automotive
supplier performance

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Introduction and background

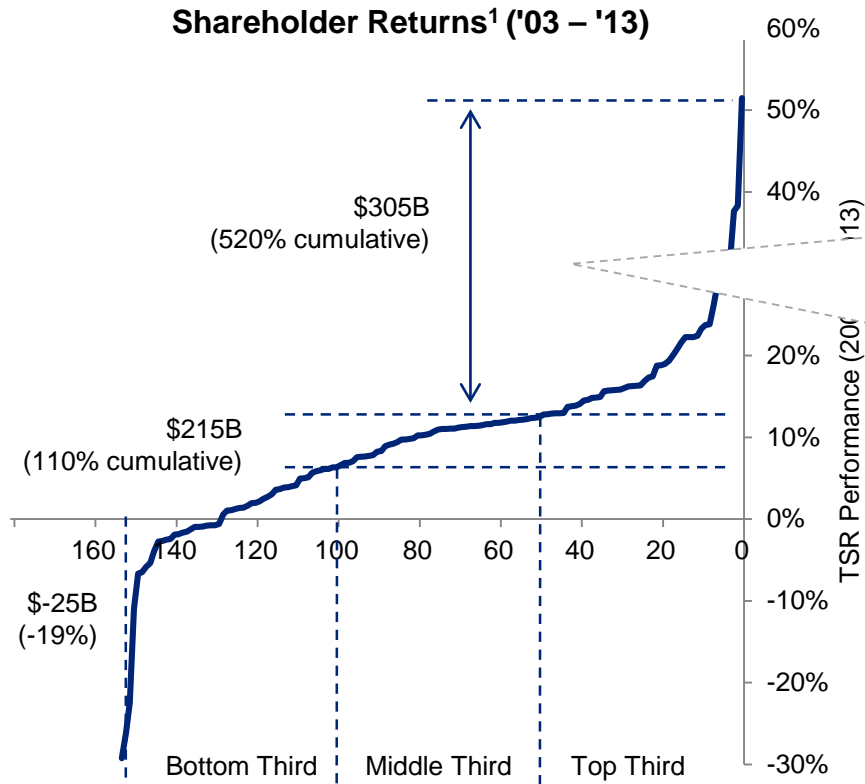
The Global Automotive Supplier Study analyzed 200+ suppliers globally across regions and component segments to reveal which suppliers delivered exceptional shareholder value returns and how.

We'll discuss:

- Six winning themes that **correlate most to shareholder value creation** and those that **separated the Top Performers** from the rest
- What the **top-performing suppliers did to drive shareholder value creation**
- What suppliers should consider in exploring the same strategic and operational **levers used by the top-performing suppliers**

Why does this matter?

Auto suppliers have generated over \$495B in shareholder value over the last decade but there is a significant value creation gap between Top Performers and others.



- Top third performers have cumulatively **generated 520% increase** in shareholder value
- Middle third suppliers have **cumulatively generated 110%**
- Bottom third has **reduced** shareholder value by 19% over the same period

2003 Enterprise Val	\$132B	\$195B	\$59B
2013 Enterprise Val	\$108B	\$411B	\$363B
Change	-\$25B	\$215B	\$305B

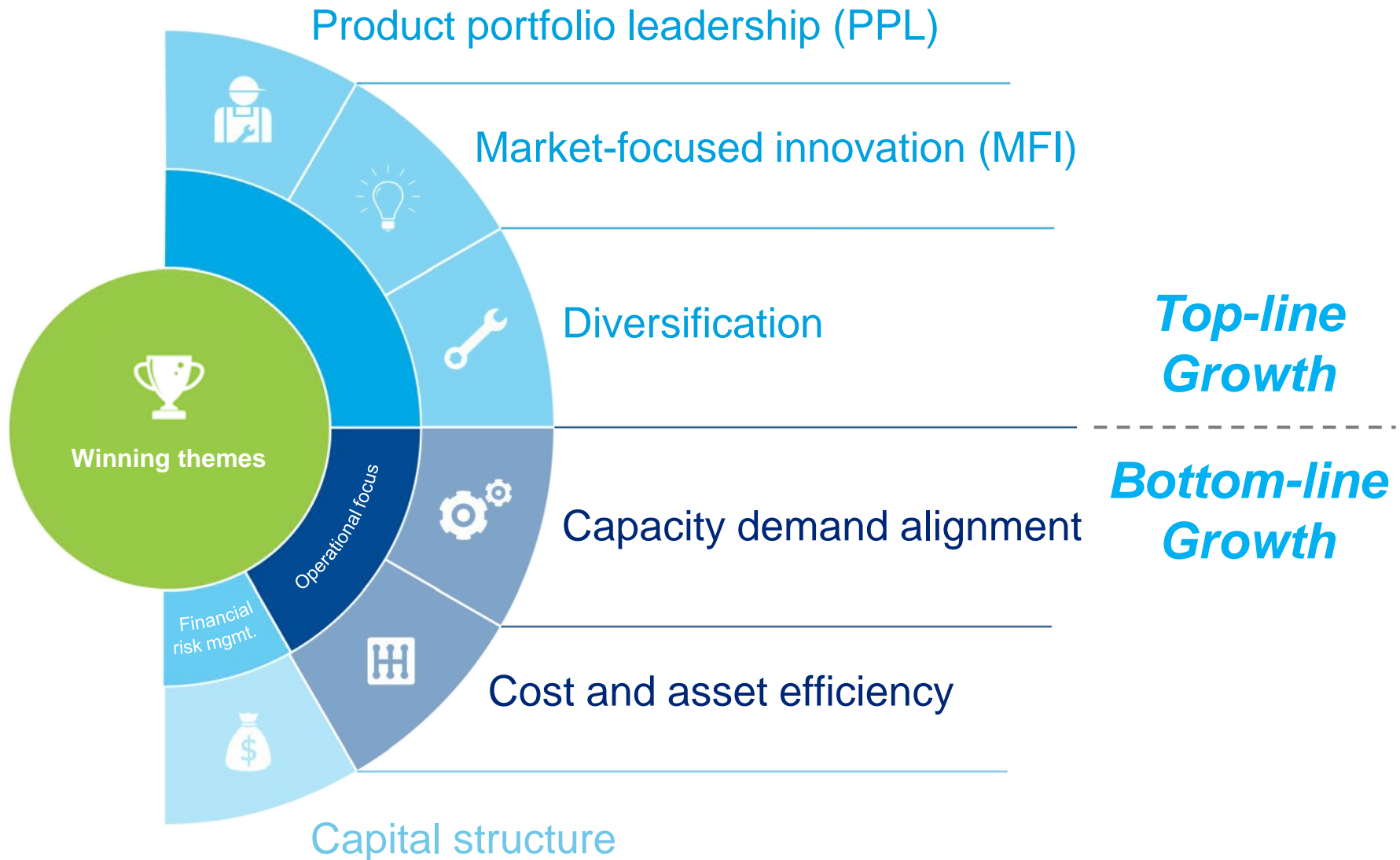
Notes:

¹ 10 yr total shareholder return data only available for 155 suppliers

² Measured as Enterprise Value increase

Source: Capital IQ, Deloitte Analysis

Six themes correlate to shareholder value



Leading products on the right platforms #1 contributor to automotive supplier performance

Having **right products on right platforms** is key to sustainable growth – which **requires market leadership** in respective segments.

Market-focused innovation needs to be commercially deployed to enable suppliers to drive rich margin in their product mix. **Effectiveness of R&D** investments is critical.

Product portfolio leadership

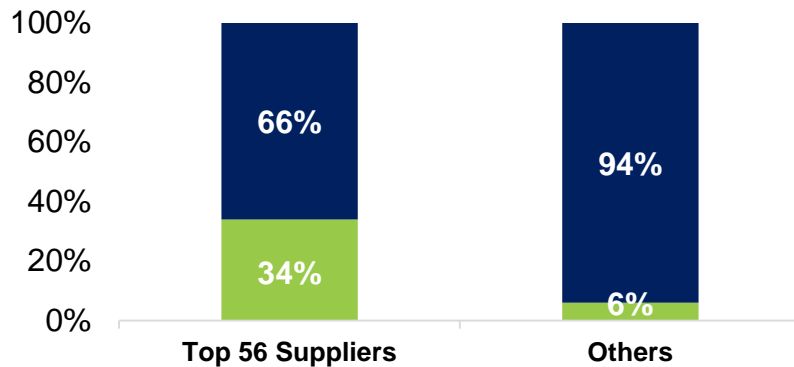
Market-focused innovation

Done in conjunction, these two themes can create an **“upward spiral”** that enables innovation, deployment and product leadership – thereby helping **outperform the competition**.

Approximately **1/3** of Top Performers studied drove SHV creation using PPL and MFI

34% of suppliers studied were

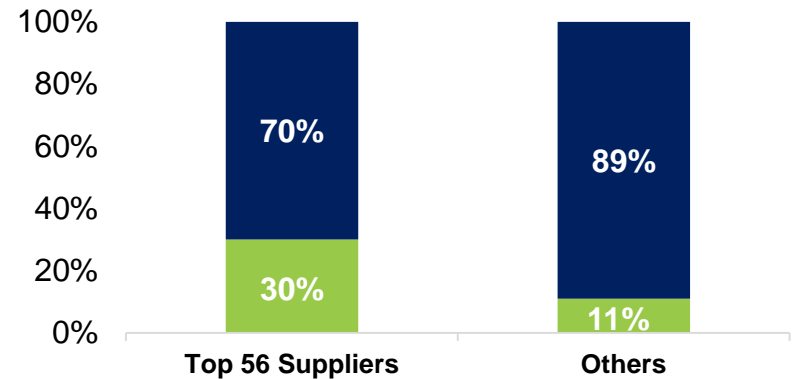
leaders in Product portfolio leadership



Source: Deloitte analysis

30% of suppliers studied were

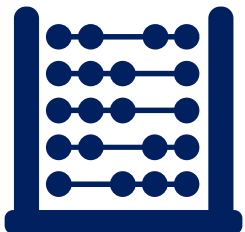
leaders in Market-focused innovation



Source: Deloitte analysis

Theme Leaders Others

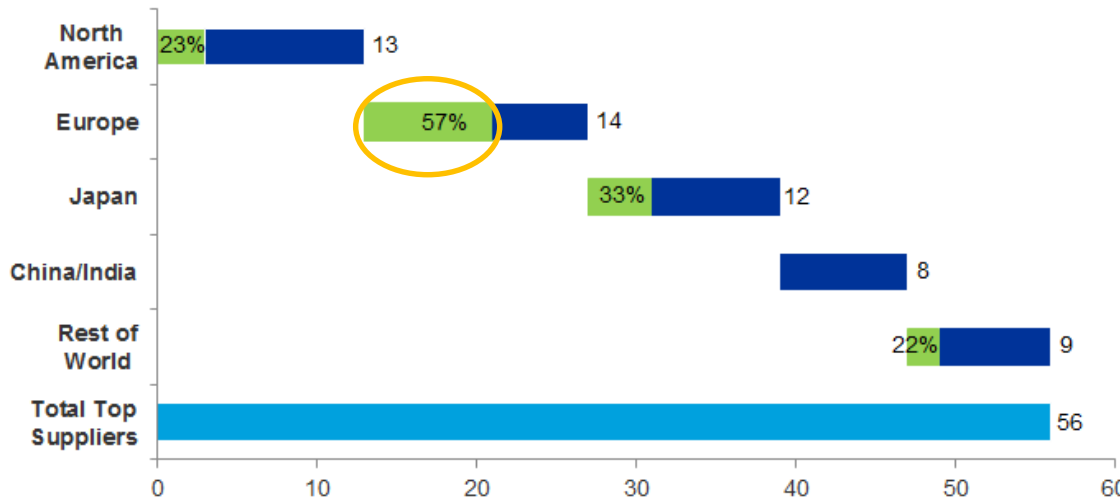
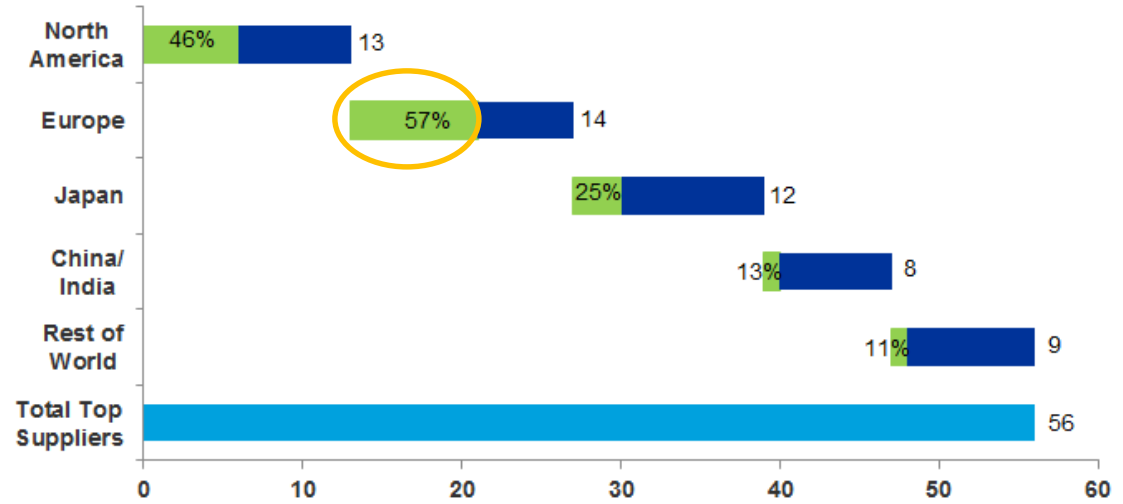
60%



Percent of total shareholder returns (TSR) that correlates to PPL and MFI

European suppliers lead among Top Performers in executing against PPL and MFI

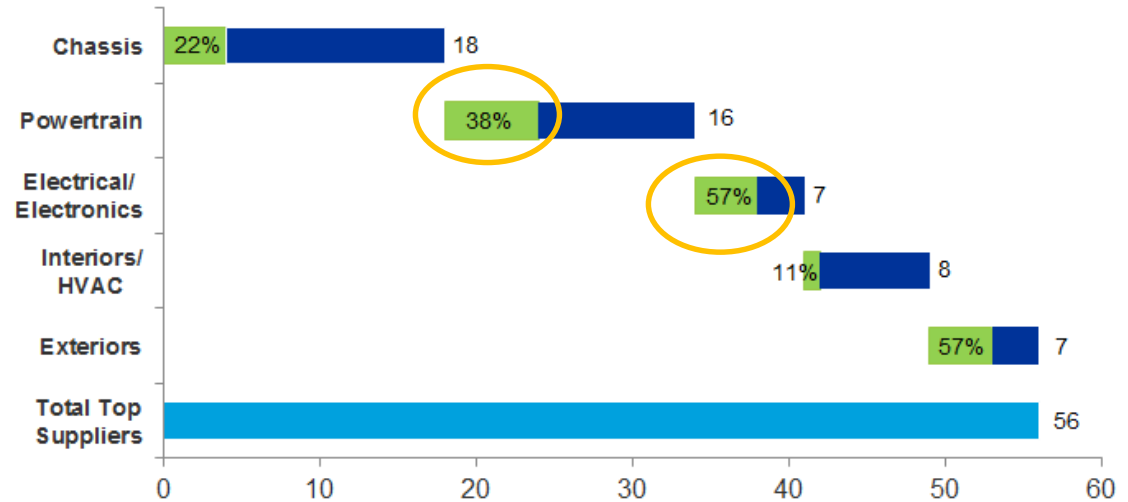
Product portfolio leadership for Top Suppliers by region



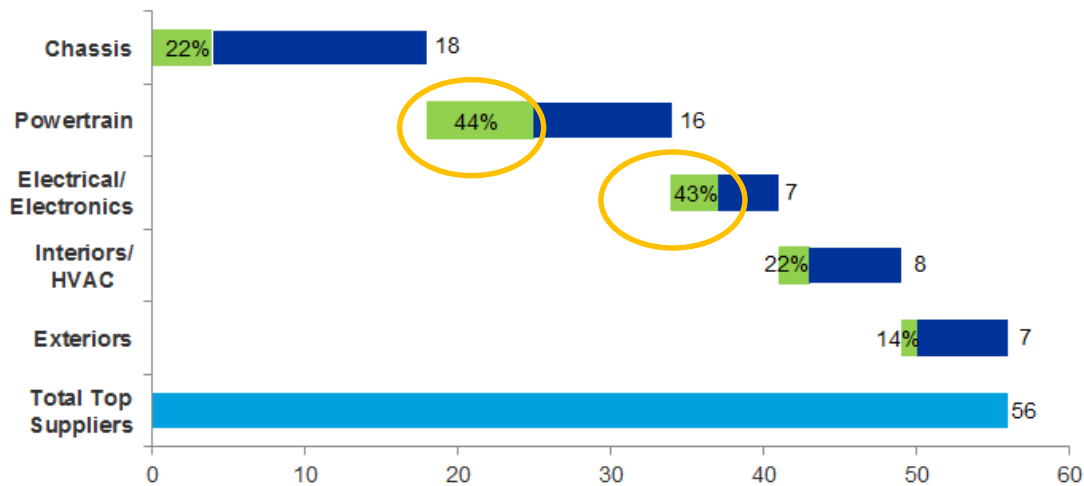
Market-focused innovation for Top Suppliers by region

Powertrain and Electrical suppliers lead in executing against PPL and MFI

Product portfolio leadership for Top Suppliers by category



Source: Deloitte analysis



Source: Deloitte analysis

Market-focused innovation for Top Suppliers by category

What can you do to drive PPL and MFI?

We identified the strategies adopted by Top Performers that increased shareholder value from Product Portfolio Leadership and Market Focused Innovation

<i>Product Portfolio Leadership</i>	<i>Market Focused Innovation</i>
<i>Product Leadership Customer Collaboration Customer and Supplier Management</i>	<i>Technology Leadership Networking and Partnerships Innovation Management</i>

Let's take a look at some examples.

Examples of suppliers driving performance

Leading powertrain technologies supplier leverages **Product Portfolio Leadership** and **Market Focused Innovation** to generate increased shareholder returns.

Product portfolio leadership



Product Leadership

With an expansive range engine and drivetrain systems, cross-functional expertise enables full integration of vehicles powertrain systems.



Customer Collaboration

Anticipating demand by developing advanced powertrain products specifically for hybrid electric vehicles.



Customer & Supplier Alignment

Keeps up with consumer demand for fuel efficient vehicles, and makes investments in fuel efficient drivetrain technology across systems.

Market-focused innovation



Technology Leadership

Commands a portfolio of industry leading powertrain technologies through focused investments in research and development.



Networking and Partnerships

Focused acquisitions to expand technological capabilities.

Examples of suppliers driving performance

Diversified auto parts supplier leverages **Product Portfolio Leadership** and **Market Focused Innovation** to deliver increased shareholder returns.

Product portfolio leadership



Product Leadership

Presence across multiple segments – including 20 fastest growing segments in the industry – allowing for integration across multiple systems.



Customer Collaboration

Intensive collaboration with customers in developing solutions with reduced parts and supporting integration of components.



Customer & Supplier Alignment

Delving into connectivity solutions to align against growing customer demand and ongoing innovations.

Market-focused innovation



Technology Leadership

Run separate division that focuses on developing cutting edge technology solutions to respond to technology trends like function integration, lightweight engineering and the reduction of complexity.



Networking and Partnerships

Dedicated goal of effectively increasing the efficiency of conventional combustion engine in the short term and driving forward the advanced electrification of the powertrain for the mass market in the medium to long term.

Next time...

Other topics planned in our series exploring the 2014 Global Automotive Supplier Study include:

- Diving deep on the themes that contribute to bottom-line growth
- Exploring what Asian automotive suppliers are doing to drive shareholder value creation

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