



Are you a top performer?

Car makers are globalizing platforms;
automotive suppliers are optimizing
capacity and their supply chains to deliver
maximum shareholder value

*The second presentation is our series exploring
what drives performance for automotive suppliers*

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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.

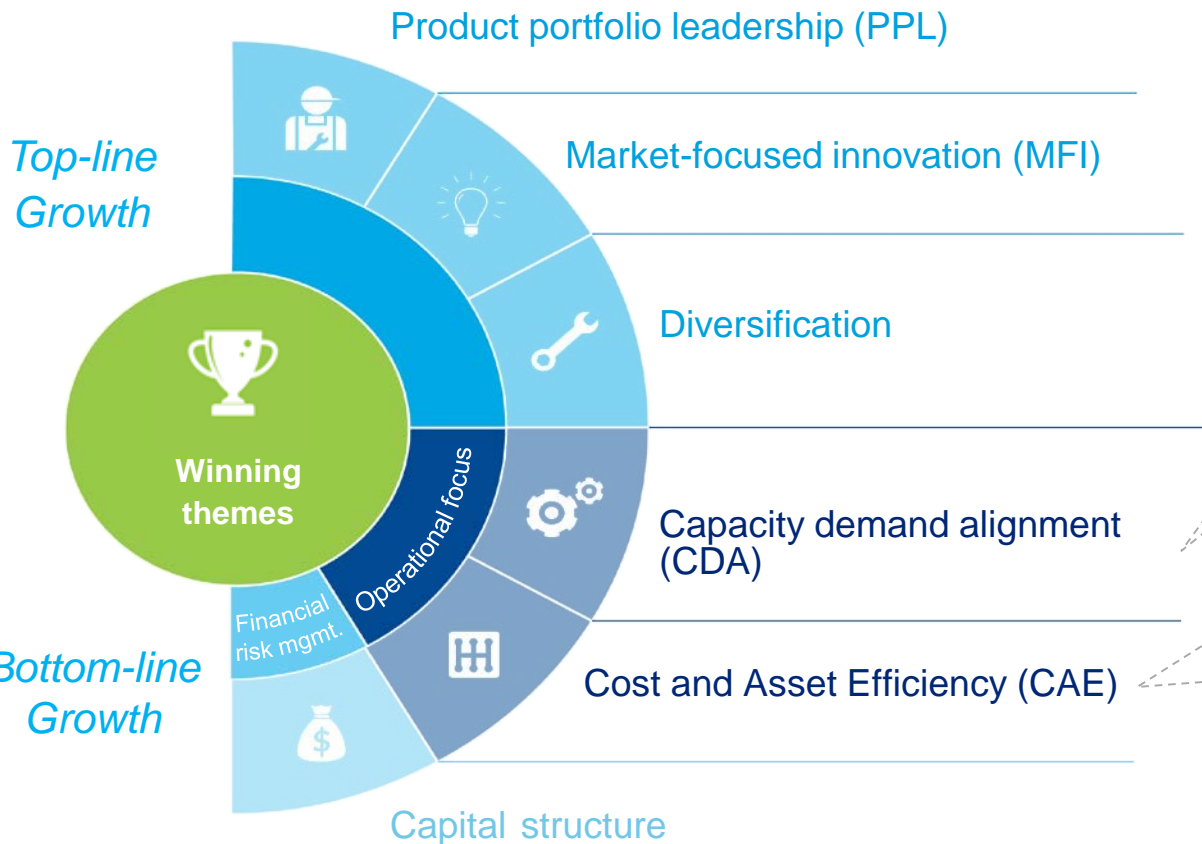
Last time :

Six winning themes that **correlate most to shareholder value creation** and the two themes that **separated the Top Performers** from the rest.

We'll discuss:

- We will focus on **Operational levers** such as **Capacity Demand Alignment** and **Cost and Asset Efficiency**, used by the top-performing suppliers.
- We will then look at **Capacity Demand Alignment** and **Cost Asset Efficiency** through a regional and segment lens, along with two specific examples.

Six themes correlate to shareholder value: with optimization of capacity and supply chain being critical “**table stakes**” to automotive supplier performance



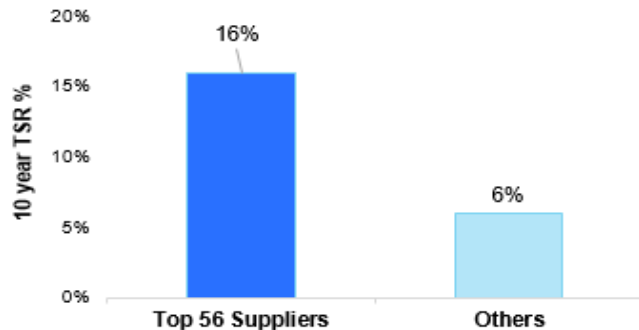
OEMs are **globalizing platforms**, which necessitates **optimization of capacity and supply chain footprint** to match global demands of OEMs.

Cost-value leadership is a table stake. Necessary to excel in **management of fixed and variable cost** to maximize asset efficiency.

Why does this matter?

The 2014 edition of Deloitte's annual global automotive supplier study reveals two of the six winning themes : **Capacity Demand Alignment** and **Cost and Asset Efficiency** as “table stakes” in driving superior shareholder returns.

— TSR Comparison of Top 56 vs Other suppliers —

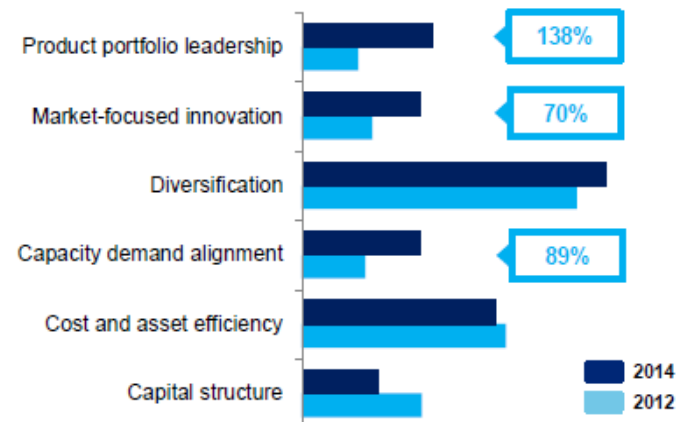


56 Top performing suppliers were identified from a sample of 213 based on 10 year TSR %

The Top performers executing CDA and CAE have delivered **10% more total shareholder return** (16% -6%), indicating the gap between top performers' shareholder value returns vs. other.

Capacity Demand Alignment increased **89%** in the 2014 study, this theme is also a bottom line growth “table stake”, while presence against **Product Portfolio Leadership** was more substantial (2012 vs. 2014).

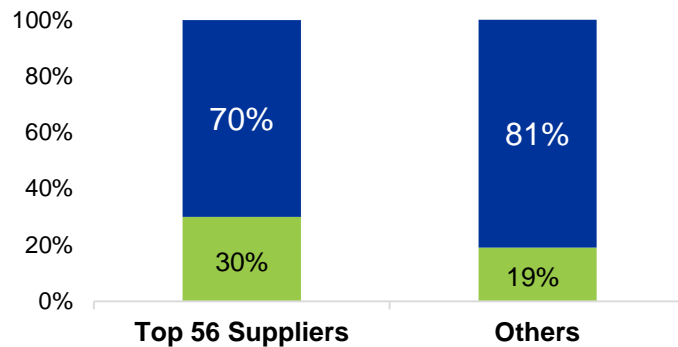
Top Performers' presence against winning themes (2014 vs. 2012)



Source: Global Automotive Supplier Study

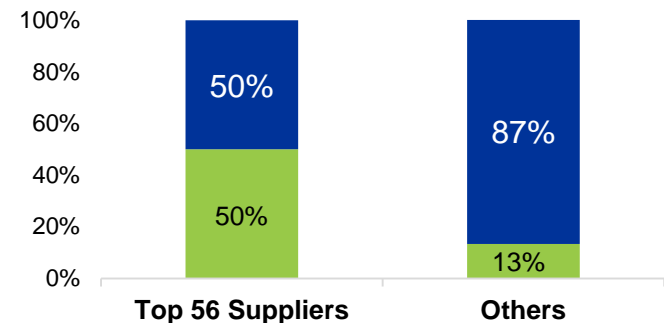
Approximately **1/3** of Top Performers studied drove SHV creation using **Capacity Demand Alignment** and **Cost & Asset Efficiency**

30% of Top Performers studied were leaders in Capacity Demand Alignment



Source: Deloitte analysis

50% of Top Performers studied were leaders in Capacity and Asset Efficiency

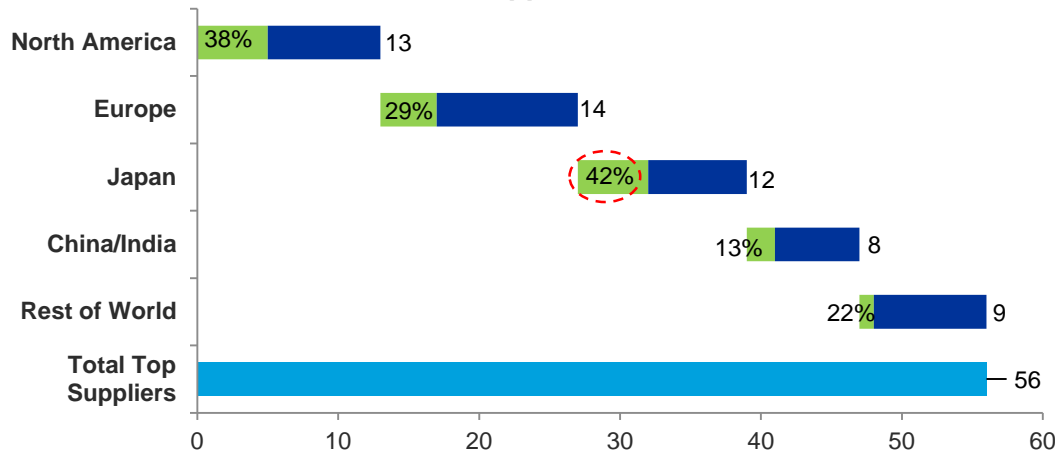


Source: Deloitte analysis

■ Theme Leaders ■ Others

Japan suppliers lead among Top Performers in executing against Capacity Demand Alignment, while North American and European suppliers rank Top Performers in Cost Asset and Efficiency

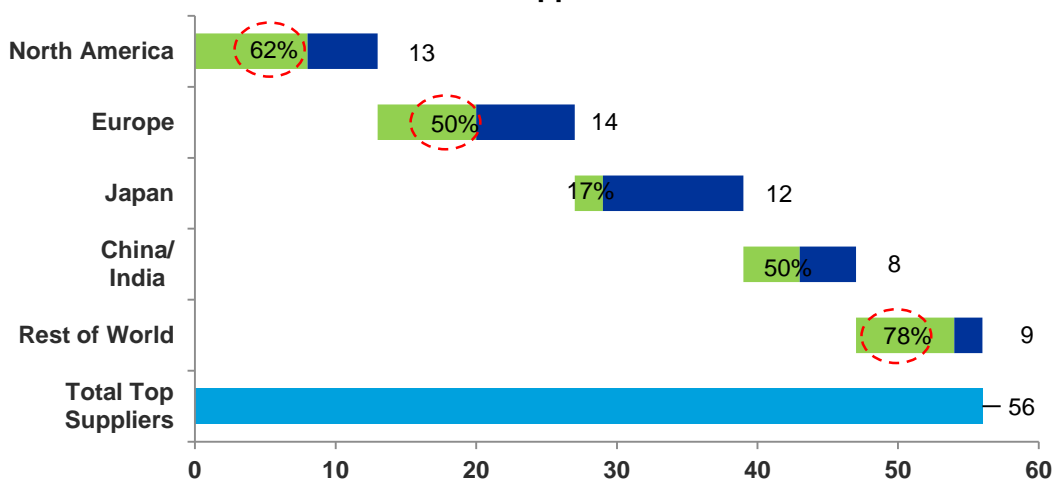
Region-Wise Capacity Demand Alignment for Top Suppliers



Source: Deloitte analysis

42% of top suppliers in Japan continue to be leaders in Capacity Demand Alignment

Region-Wise Cost-Asset Efficiency for Top Suppliers



Source: Deloitte analysis

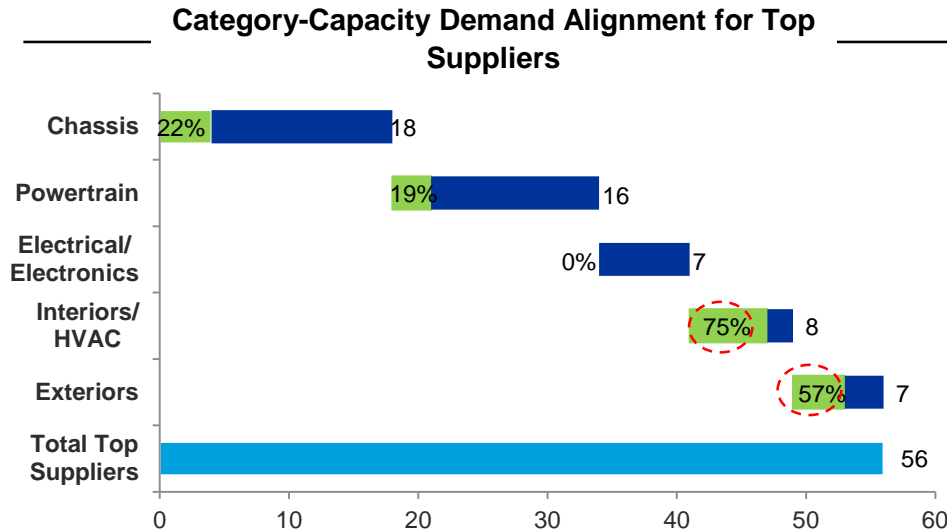
More than 55% of top suppliers in North America and Europe are leaders in the Cost-Asset Efficiency

Legend

Theme Leaders Others

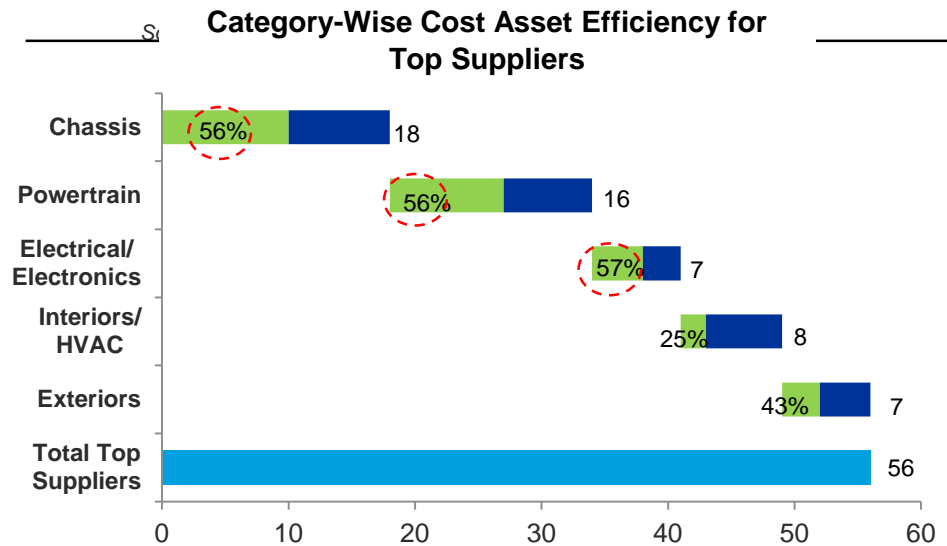
Interior/HVAC and Exteriors Categories demonstrate leadership in Capacity Demand Alignment, while **Chassis , Powertrain & Electrical/Electronics Segments** demonstrate Cost and Asset Efficiency

Capacity Demand Alignment for Top Suppliers by category



66% of top suppliers in Interiors/HVAC and Exteriors Category are leaders in Capacity Demand Alignment

Cost and Asset Efficiency for Top Suppliers by category



56% of top suppliers in Chassis, Powertrain and Electrical/Electronics categories are leaders in Cost and Asset Efficiency

What can you do to help drive Capacity Demand Alignment and Cost and Asset Efficiency?

We've identified the strategies adopted by Top Performers that increased shareholder value from **Capacity Demand Alignment** and **Cost and Asset Efficiency**

<i>Capacity Demand Alignment</i>	<i>Cost and Asset Efficiency</i>
<i>Sales & Operational Planning Strategic Capacity Expansion Lead Time Improvement & Supplier Alignment</i>	<i>Operational Performance Asset Productivity Total Landed Cost Management</i>

Let's take a look at some examples.

Examples of suppliers driving performance

Major American global supplier leverages *Capacity Demand Alignment* and *Cost and Asset Efficiency* to generate increased shareholder returns.

Capacity Demand Alignment



Strategic Capacity Expansion

Improvement focused on higher value products – supplier positioned as global leader in crash avoidance systems – next leading trend in automotive industry



Lead Time Improvement and Supply Alignment

Investment in building manufacturing footprint to meet increasing regional demands – helping to improve customer response time and team time – localization of content

Cost and Asset Efficiency



Operational Performance

Signed agreement divesting engine valve business – clarifying product portfolio and focus on growing active and passive safety technologies.



Asset Productivity

Declined debt load – issued lower coupon debt – extending maturities and lowered interest costs.



Total Landed Cost Management

Improved efficiency and cost through Six Sigma and outsourcing non-core activities.

Examples of suppliers driving performance

Leading powertrain components supplier drives superior performance through **Capacity Demand Alignment** and **Cost and Asset Efficiency**.

Capacity Demand Alignment



Global Regional Footprint



Alignment of manufacturing and supply base footprint to achieve balance between cost and flexibility – “hub and spoke” network – customer flexibility.



Strategic realignment of make-buy mix



Acquisition of a high volume hot forger with presence in Europe and U.S. – increases level of vertical integration in a critical product line – control of key press capabilities.



Integration with OEM

Supplier to participate in the design/engineering phase with OEMs early in the PD cycle, thus expanding its customer relationship and positioning for additional business.

Cost and Asset Efficiency



Operational Efficiency



Deliver industry leading ROCE – through execution on operations and process efficiencies in a capital intensive business.
R&D focused on process innovation to achieve differentiating operational excellence.



Asset Efficiency

Optimization on return on assets through focused rationalization of assets – close of several facilities – investment in other core business facilities – significantly improve asset efficiency and return on capital .

Next time...

- Exploring what **Asian automotive suppliers** are doing to drive **shareholder value creation**

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