Detroit – Washington D. C.

OESA
Automotive Supplier Barometer
Focus on Financial Outlook

The OESA Automotive Supplier Barometer is published with the support of Deloitte LLP.

Deloitte.

July 13-15, 2015

96 Survey Responses

OESA Automotive Supplier Barometer Executive Summary

- **OESA received 96 responses to this Barometer survey.**
- **The Supplier Sentiment Index (SSI) continues to remain positive, and shows improvement with the SSI coming in 4 points higher than the May index to a July level of 57. Suppliers are feeling better about global business opportunities and new business in diversified markets. Concern comes from the expected leveling-off of production and sales volumes, pricing pressures and world events, particularly noted was China and Greece.** (See pages 7-12)
- **To meet 2016 production volumes, companies continue to make capital equipment purchases their priority (consistent with results from 2014 and 2013. Hiring of direct hourly employees is next in importance.** (See pages 13-14)
- **Eighty-seven percent of respondents expect revenue to increase for next year with 24 percent of responding suppliers anticipating 20 percent or more growth. Seventy-one percent of companies are forecasting higher year-over-year EBIT levels for 2016, down from 84 percent last year. More than half of all respondents indicate increasing budgets for investments in plant and equipment, advanced research, information technology and talent and training; fewer than expect increases in SG&A.** (See pages 15-16)
- **Assuming constant production volumes for 2016, respondents indicated utility budgets will increase the most followed respectively by customer specific product development, transportation/logistics, purchased components, tooling, direct metallic materials then direct resin materials**. (See pages 17-18)
- **As automotive suppliers plan business strategies over the next five years, 71 percent expect to increase their value add content through vertical integration.** (See pages 19-20)

OESA Automotive Supplier Barometer Executive Summary

- **There is little change anticipated in company sales mix over the next 5 years compared to current mix.** (See pages 21-22)
- **With regard to days receivables and day payables, the average number of days sales outstanding (DSO) is improving compared to the last two years. The median DSO is now 48 compared to 50 in 2014 and 2013. The median number of days payable outstanding (DPO) is unchanged over three years at 45.** (See pages 23-25)
- **The continued likelihood of companies making acquisitions over the next 12 months remains front of mind for most suppliers with 55 percent indicating a moderate or high likelihood of occurrence.** (See pages 26-27)
- **Strategic priorities for acquisitions are broad. The strategies that rated above neutral include (in order of priority) are accelerating access to new technologies, accessing new customers through expansion into new geographic markets, building market share, following an existing customer into new geographic markets and vertically integrating supply chain or product offerings.** (See pages 28-30)
- **By far, the most significant short-term internal challenges that suppliers face in reaching 2015/2016 business plans are HR related; talent acquisition, retention and training.** (See pages 31-34)
- **Paralleling the short-term challenge related to HR, this concern is also the primary response from suppliers for long-term internal challenges**. (See pages 35-38)

OESA Automotive Supplier Barometer Summary Details

- The July OESA Automotive Supplier Barometer theme is financial outlook. **OESA received 96 responses to this Barometer survey.**
- **The Supplier Sentiment Index (SSI) continues to remain positive, and shows improvement with the SSI coming in 4 points higher than the May index to a July level of 57.** The improving outlook stems from a slight increase in the significantly more optimistic view and an even larger increase in the somewhat more optimistic view as compared to May levels. Optimism is more prevalent with supplier companies having less than $50 million in revenue and in companies with revenue greater than $1 billion. The mid-range companies indicate a bit more pessimism. **Suppliers are feeling better about global business opportunities and new business in diversified markets. Concern comes from the expected leveling-off of production and sales volumes, pricing pressures and world events, particularly noted was China and Greece.** (See pages 7-12)
- **To meet 2016 production volumes, companies continue to make capital equipment purchases their priority (consistent with results from 2014 and 2013. Hiring of direct hourly employees is next in importance,** overtaking the hiring of salaried employees in 2014 and 2013. Opening additional facilities was rated lowest of the set of actionable priorities. Gaining efficiencies and utilizing open capacity are additional focal points (See pages 13-14)
- The 2016 outlook for financial performance remains strong though budgeted revenue and EBIT is down slightly compared to last year. **Eighty-seven percent of respondents expect revenue to increase for next year with 24 percent of responding suppliers anticipating 20 percent or more growth. Seventy-one percent of companies are forecasting higher year-over-year EBIT levels for 2016, down from 84 percent last year. More than half of all respondents indicate increasing budgets for investments in plant and equipment, advanced research, information technology and talent and training; fewer than expect increases in SG&A.** (See pages 15-16)

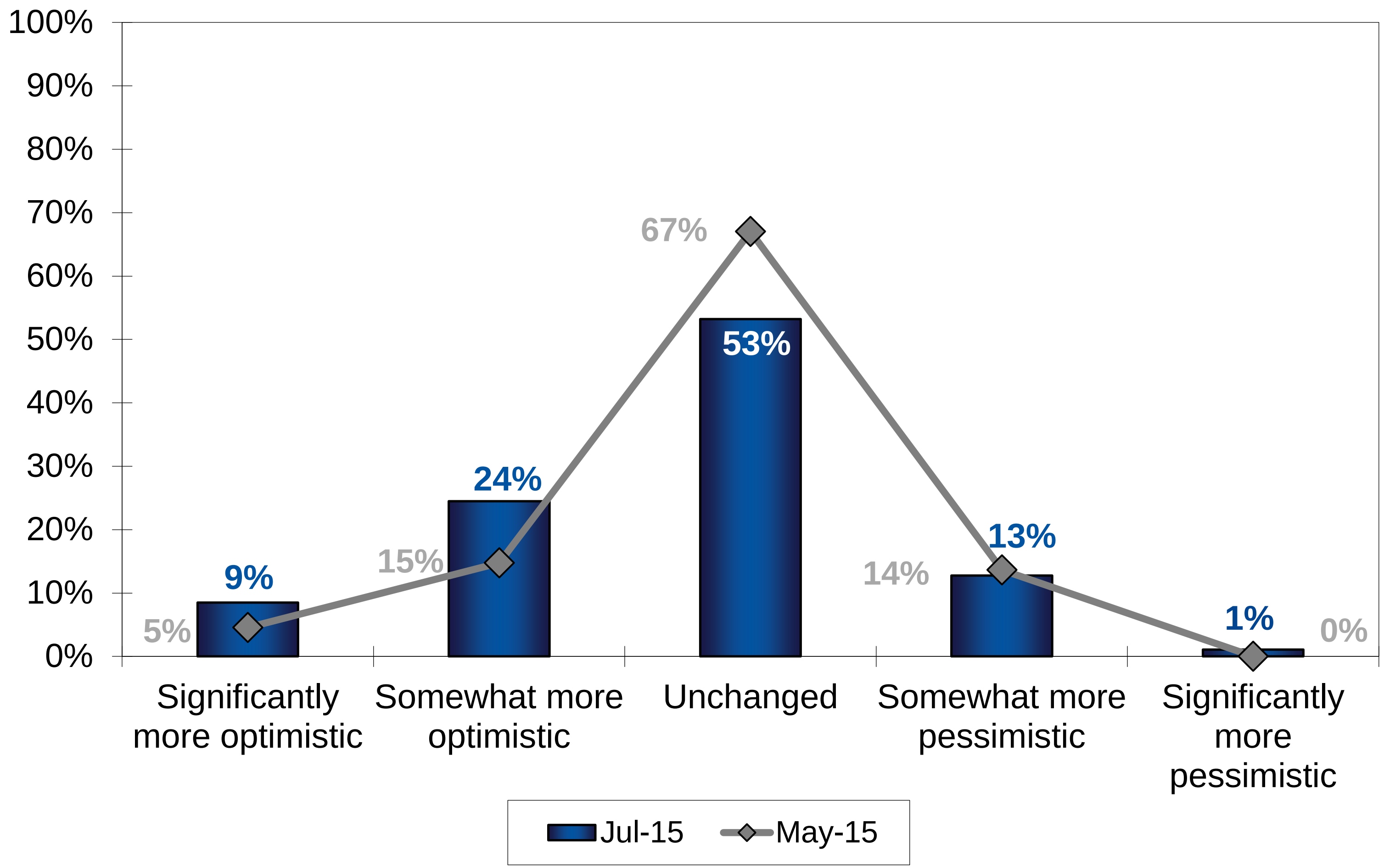
OESA Automotive Supplier Barometer
Detailed Summary (continued)

- **Assuming constant production volumes for 2016, respondents indicated utility budgets will increase the most followed respectively by customer specific product development, transportation/logistics, purchased components, tooling, direct metallic materials then direct resin materials**. (See pages 17-18)
- **As automotive suppliers plan business strategies over the next five years, 71 percent expect to increase their value add content through vertical integration.** Twenty-four percent will remain unchanged while 5 percent will decrease value add. (See pages 19-20)
- **There is little change anticipated in company sales mix over the next 5 years compared to current mix.** D3 customers remain primary with tier automotive suppliers second. Interestingly, when this survey question was asked in 2011, the forecasts for 2015/2016 sales mix very closely predicted current sales mix values. (See pages 21-22)
- **With regard to days receivables and day payables, the average number of days sales outstanding (DSO) is improving compared to the last two years. The median DSO is now 48 compared to 50 in 2014 and 2013. The median number of days payable outstanding (DPO) is unchanged over three years at 45.** (See pages 23-25)
- **The continued likelihood of companies making acquisitions over the next 12 months remains front of mind for most suppliers with 55 percent indicating a moderate or high likelihood of occurrence.** Year-over-year interest in an acquisition for companies with revenue of $150 million or less declined from 60 percent 47 percent. Mid-range suppliers (revenue is $151-$500 million show increased interest. Larger companies with more than $500 million remain largely unchanged in acquisition interest. Divestitures on the other hand, remain a low likelihood with 91 percent of all respondent companies indicating an unlikely event. (See pages 26-27)

OESA Automotive Supplier Barometer
Detailed Summary (continued)

- **Strategic priorities for acquisitions are broad. The strategies that rated above neutral include (in order of priority) are accelerating access to new technologies, accessing new customers through expansion into new geographic markets, building market share, following an existing customer into new geographic markets and vertically integrating supply chain or product offerings.** Diversification into markets outside of light vehicle or transportation are not considered a priority for most companies. (See pages 28-30)
- **By far, the most significant short-term internal challenges that suppliers face in reaching 2015/2016 business plans are HR related; talent acquisition, retention and training.** Additional challenges include margin protection, capital planning and launch capabilities. Short-term external challenges noted include (and more balanced among suppliers) pricing/competition, economy, growth, global markets, and customer management. (See pages 31-34)
- **Paralleling the short-term challenge related to HR, this concern is also the primary response from suppliers for long-term internal challenges**. Maintaining profit margins, capacity/footprint/capital planning, productivity, products/technology are other noted challenges. Suppliers identify the predominant long-term external challenge as globalization/competition followed closely by market demand. Other concerns include customer management, economy, sales/profitability. (See pages 35-38)

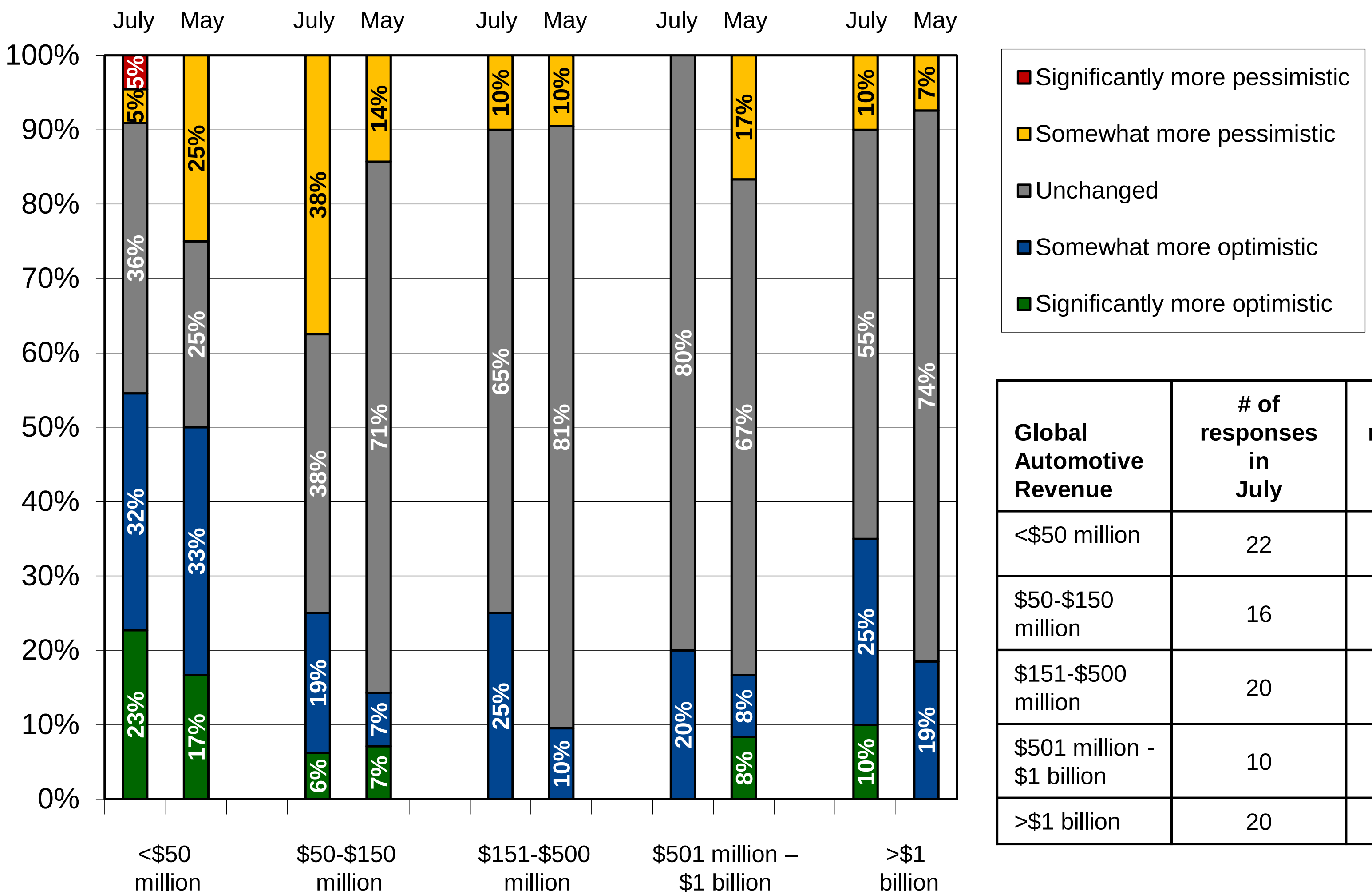
Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:



No. of Responses = 94

Barometer Results

By Company Revenue



Global Automotive Revenue	# of responses in July	# of responses in May
<$50 million	22	12
$50-$150 million	16	14
$151-$500 million	20	21
$501 million - $1 billion	10	12
>$1 billion	20	27

No. of Responses = 88

Describe the general twelve month outlook for your business. Over the past two months, has your opinion become…comments:

Significantly More Optimistic

- New product gaining acceptance, I do not have the same optimistic view of the overall market.
- Business is growing due to strong dollar allowing us to import more and strengthens competitiveness.
- Due to the big investments from the OEM in Mexico it seems there will be a lot of opportunities to grow.
- Several new programs and development opportunities.
- Launching new program in Asia.

Somewhat More Optimistic

- Higher SAAR than the initial forecast.
- We continue to win additional programs and we continue discussions on further expansion.
- The strong US dollar has been hurting our international sales, but we won a few key projects in the past two months.
- Growth in non-core business and more application of core business in vehicles.
- Material costs continue to moderate.
- OEMs insourcing product engineering work. Many of new technologies are being implemented.
- Second quarter releases had come in lower than expected. However, we finished very strong. Outlook is positive.
- Our product market overall looking good for Tier1 and Tier2 brands due to Chinese product tariffs. In regards to OEMs, the competition is getting more intense and harder for new suppliers to enter.
- Market continues to thrive but capital purchases are slow.
- Increased business prospects for more diversified products than what had been forecasted and volumes of present business either staying consistent or increasing.
- More RFQs from a variety of industries besides just automotive coming into our organization.

Describe the general twelve month outlook for your business. Over the past two months, has your opinion become…comments: (continued)

Unchanged

- Slow growth for the next three years, possible market correction at end of 2016.
- Customers delay decision making as long as possible, jeopardizing successful new launches and the viability of incoming business.
- Still worried about labor market and how it affects product planning and global manufacturing plans at OEMs.
- China is a great concern along with the prolonged economic issues in Brazil and Argentina.
- Concerned with China and EU "hot spots", while optimistic about NA.
- As equipment suppliers, we have seen a rather robust twelve months. Based on discussions with our customers, this looks to continue through this year.
- Every day is one more step closer to the next dip. The question is, how big of a dip?
- Outlook continues to be optimistic.
- US based automotive manufacturing is holding up well. There are some global issues, China and Greece in particular that need to be watched closely.
- Business is good, but risks remain significant that world events could disrupt economic growth in NA.
- Volumes steady, and adding new customers which is our priority.
- Concerns remain regarding the UAW negotiations.
- I think we are in for a flat period of years ahead, especially for domestic producers.

Describe the general twelve month outlook for your business. Over the past two months, has your opinion become…comments: (continued)

Somewhat More Pessimistic

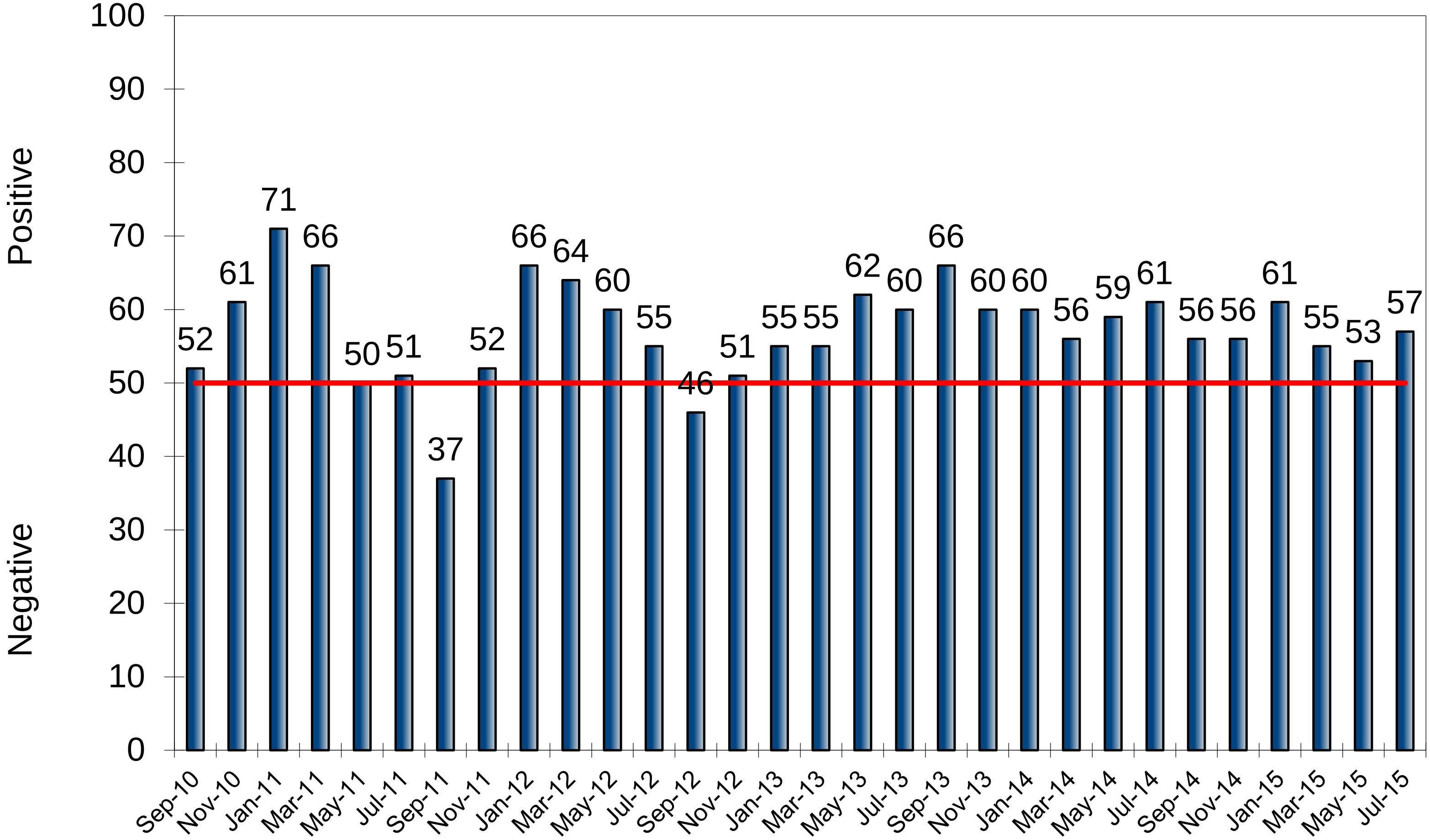
- Much more pricing pressure.
- No growth change in N.A., EU and China outlook down.
- Volumes have plateaued if not reduced.
- New launch delayed, not many new opportunities.
- Negative world events.
- Seeing a slight slow-down in volume for the next two to three months but expect it to return to normal later in the year.
- Watching China and Greece situations.
- Concerns over China volumes.
- Strange mix of small car versus truck sales - going against CAFE requirements - driven by gas prices.

Significantly More Pessimistic

- Declining sales due global commodity prices.

OESA Automotive Supplier Sentiment Index

Compared to two months ago, how has your 12 month outlook changed?



No. of Responses = 94

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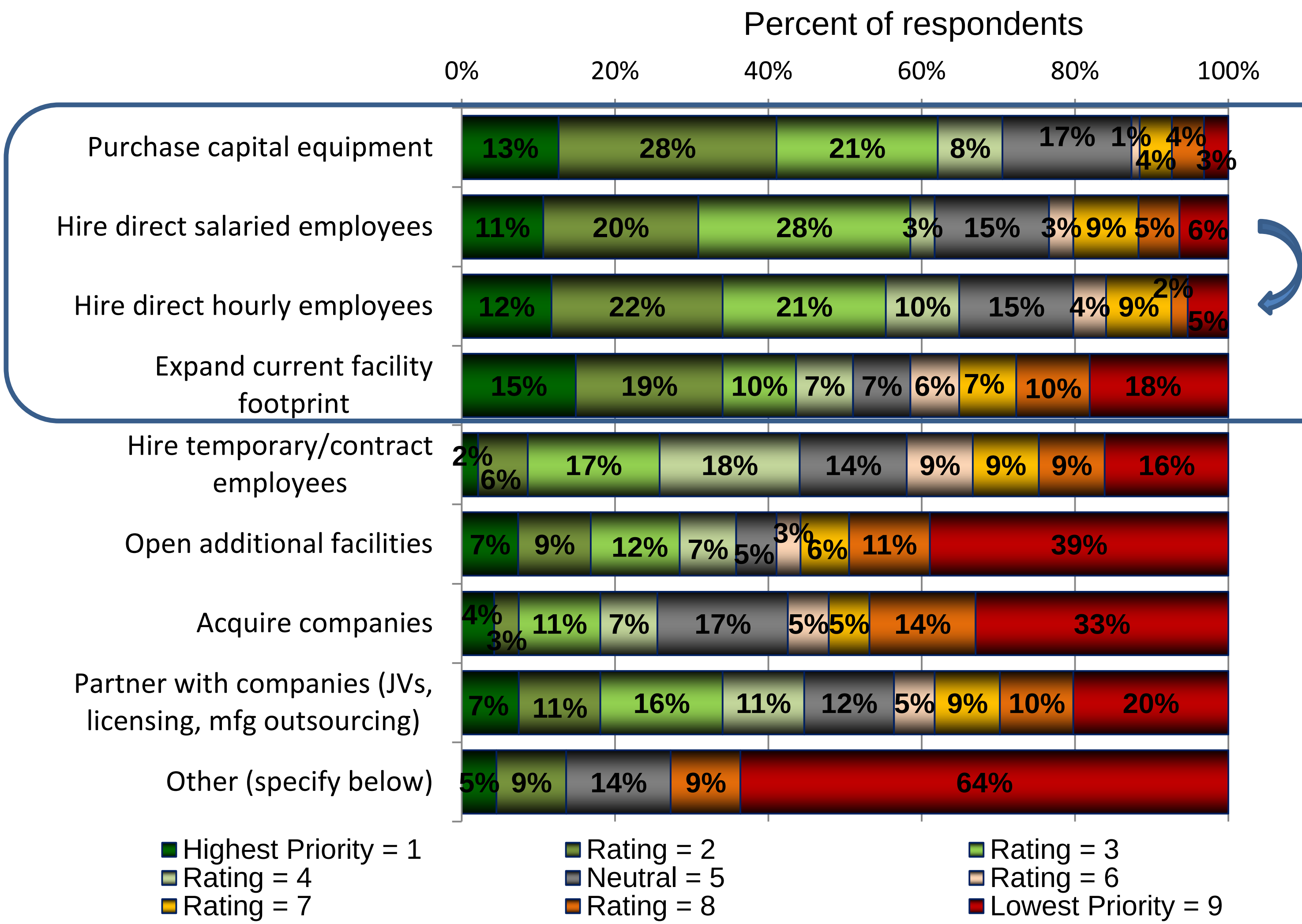
Rate the following actions your company is budgeting for in North America to meet expected 2016 volume increases



	2015 Rating	2014 Rating	2013 Rating
Purchase capital equipment	3.48	3.49	3.59
Hire direct salaried employees	4.00	3.64	3.98
Hire direct hourly employees	3.83	4.03	4.23
Expand current facility footprint	4.79	4.79	5.11
Hire temporary/contract employees	5.35	5.23	4.89
Open additional facilities	6.15	5.74	6.34
Acquire companies	6.34	6.39	6.41
Partner with companies (JVs, licensing, mfg outsourcing)	5.28	6.49	5.83
Other (specify below)	7.36	7.73	7.48

No. of Responses = 94-95

OESA Automotive Supplier Barometer- July 2015
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Rate the following actions your company is budgeting for in North America to meet expected 2016 volume increases (continued)

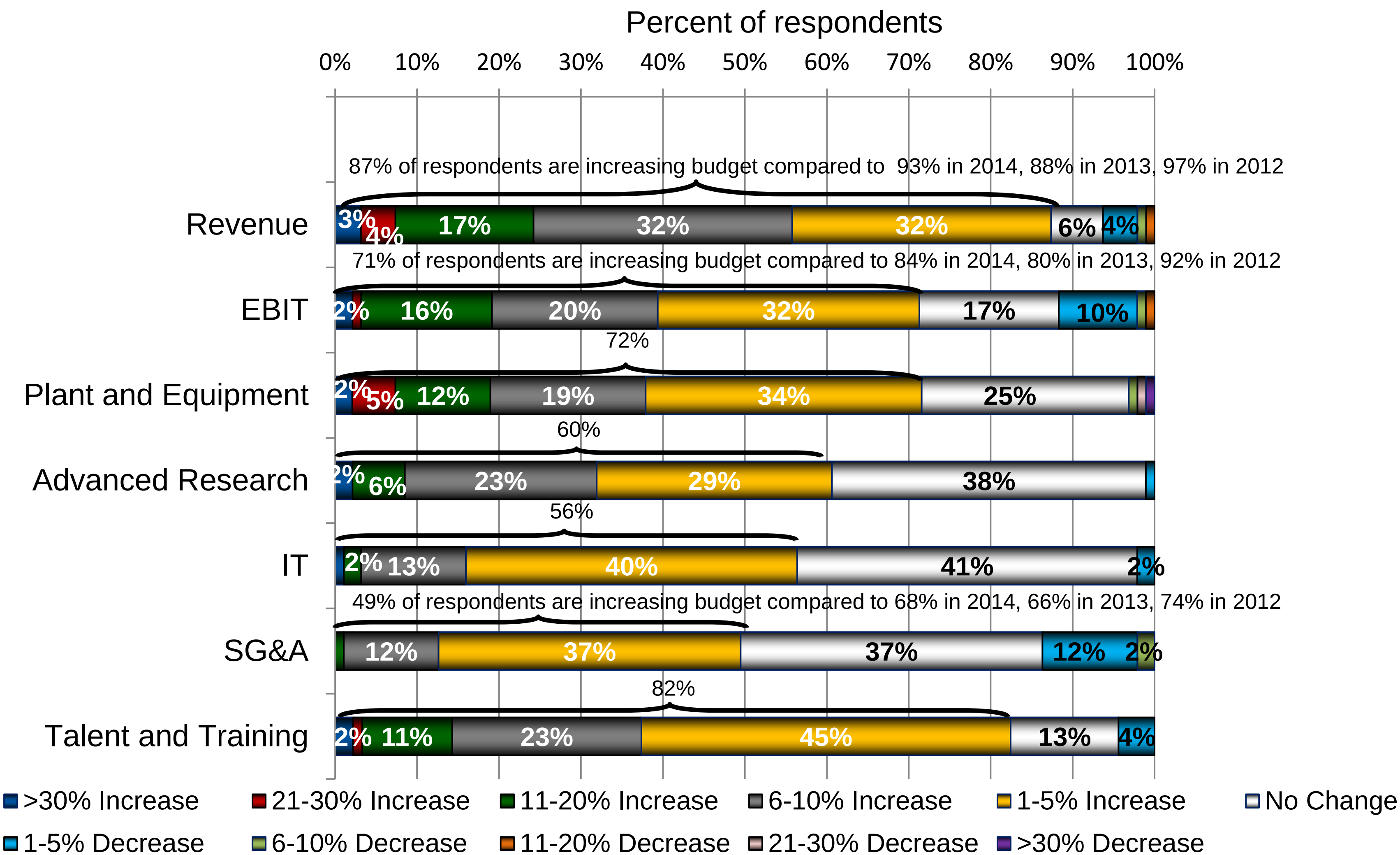
Other Actions:

- Focusing on using open capacity.
- Continue to tackle inefficiencies and open capacity with existing resources.
- Upgrade training of current employees to meet and exceed additional expectations of our customers.
- Diversify customer base.

Comments

- New product rollout.
- 2016 equipment mostly purchased already.
- We have room to grow without expanding our footprint.
- Our main constrain to grow is lack of capital so we are looking for partners that can help us in this matter.

For your next fiscal year, what is your budgeted percentage change in each of the following financial metrics (compared to current year budget)?



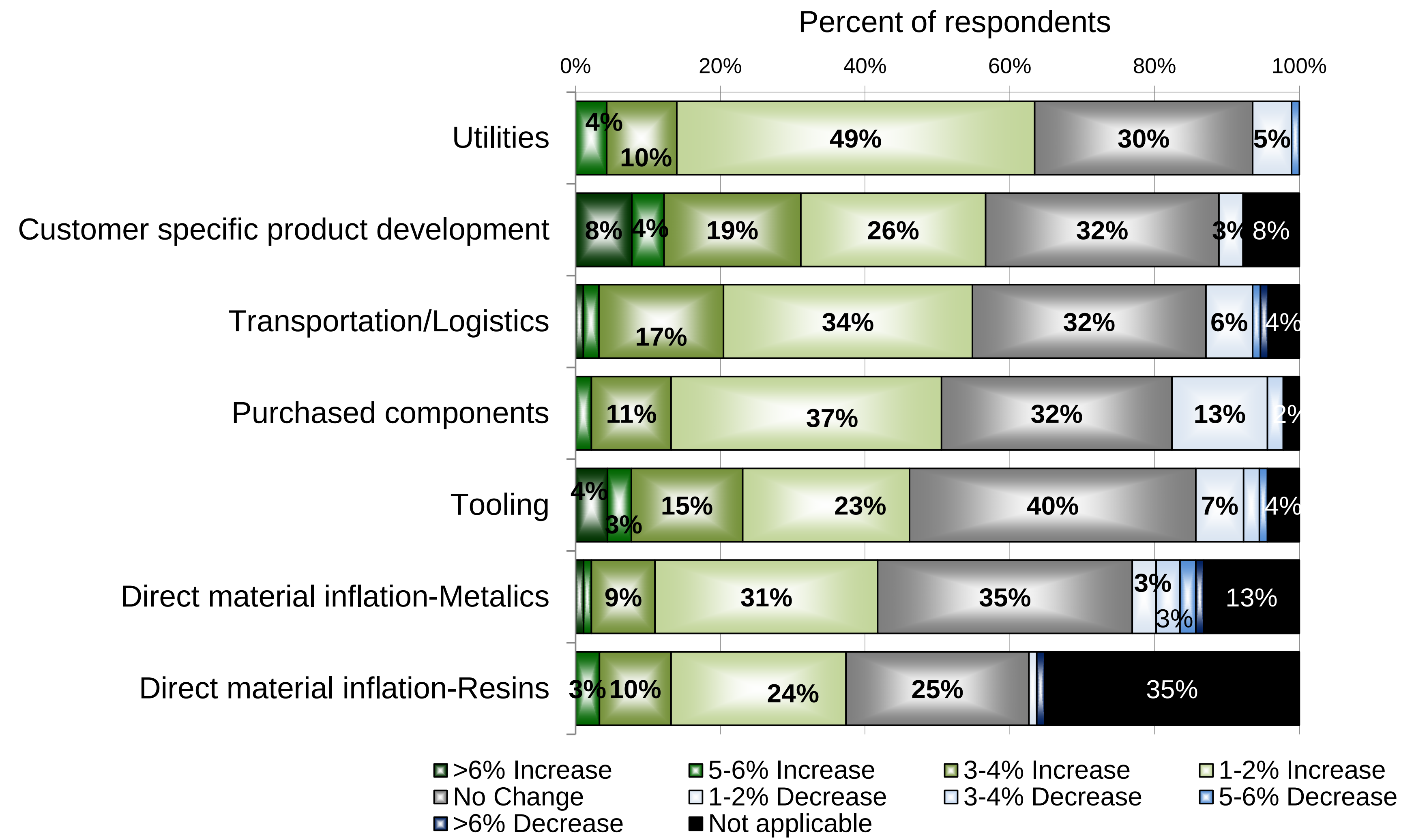
No. of Responses = 91-95

For your next fiscal year, what is your budgeted percentage change in each of the following financial metrics (compared to current year budget)? (continued)

Comments

- Driven by OEMs.
- New product rollout.
- Training and apprenticeships efforts dramatically increasing.
- 2016 appears to be similar to 2015 for us. That may be optimistic.
- Revenue increase due to sales strength. Building new plants and increasing R&D investments.
- Key focus on research and enhancing our IT tools/systems to align to changing business complexities.
- We are establishing offsite training center to increase the talent pool in Michigan.
- 2016 we are in between programs. We will be preparing for 2017.
- Because of our current condition we need to concentrate in improving our profitability.
- Continue to fill/maximize open capacity with no other changes to assets/labor. Also working to increase favorability of our customer mix.
- Plan to increase revenue and EBIT faster than other supporting costs, as have increased such costs in 2015 to support upcoming growth in 2016.
- New ERP and project management IT. New training programs. Expansion of some manufacturing sites.
- Spend more money on improving our current employee skills.
- We see 2016 as a carryover of 2015. We anticipate more new launches in 2017.
- Capital investments made in plant and equipment. Rest of business running in-line to plan.
- Estimated as we have not budgeted for 2016 yet.
- The market is so unstable it is premature to define 2016.

To better understand inflation, assuming constant 2015 production volumes for 2016, what is your budgeted percentage change in USD from 2015 in each of the following metrics for 2016?



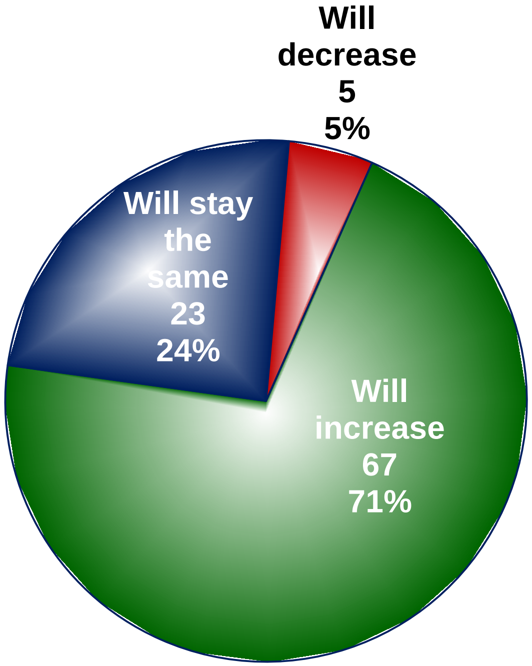
No. of Responses = 90-93

To better understand inflation, assuming constant 2015 production volumes for 2016, what is your budgeted percentage change in USD from 2015 in each of the following metrics for 2016? (continued)

Comments

- Commodities with higher increases.
- With growth we have volume pricing on core materials that will help in 2016.
- Steel prices separating from historical metrics. Why costs decline and price rises is a total mystery.
- Insourcing tooling.
- We are taking a conservative approach on raw material, transportation and utilities. We believe that there is more upside potential on a calendar year basis year-over-year.
- China weakening demand is causing commodity prices to drop. Europe is next up to weaken its currency in the QE global dance.
- We think the economy in Mexico will not have drastic changes.
- Company is not impacted by most cost elements, given the industry we are in. However, we expect some impact of plastics cost on packaging materials cost and also in transportation and utilities. Purchased components for our company reflect primarily other raw materials purchases including base oils.
- Because of the dollar strength against other currencies, our overall direct metallic costs are expected to continue to decrease.

Within North America, over the next 5 years, how is your total value add (vertical integration) expected to change?



"Will increase" comments:

- Becoming less diversified in product so we are the best at what we do.
- Starting a new product line has required partners. We will look to bring some processes back in house once cash flow allows.
- Increase value add assembly content.
- Driven by supplier consolidation.
- We are going to try to move some purchased material from mandated to managed.
- Integrating secondary operations such as heat treat and final machining.
- Two new foundries to vertically integrate the production process.
- Expanding resources domestically to manage global supply base. Increase imports from China and India.
- We are planning more original content by adding proprietary intellectual value.
- As part of our strategy to grow we are integrating our processes to have more value added and better serve our customers, having at the same time better margins.
- Seeking to bring sub- and secondary operations in-house through organic expansion and acquisition.
- We will continue to vertically integrate through increased use of automation.
- Plan to increase the percentage of sales related to in-house manufactured products, thereby increasing our value add within our supply chain to our customers.
- Vertical integration will be our focus as well as localization of components.
- We get continued requests for small niche products through a single-stop shop.
- Insourcing stampings and plastics.
- Possibly insource component manufacturing.
- Light assembly work being insourced.

No. of Responses = 95

Within North America, over the next 5 years, how is your total value add (vertical integration) expected to change? (continued)

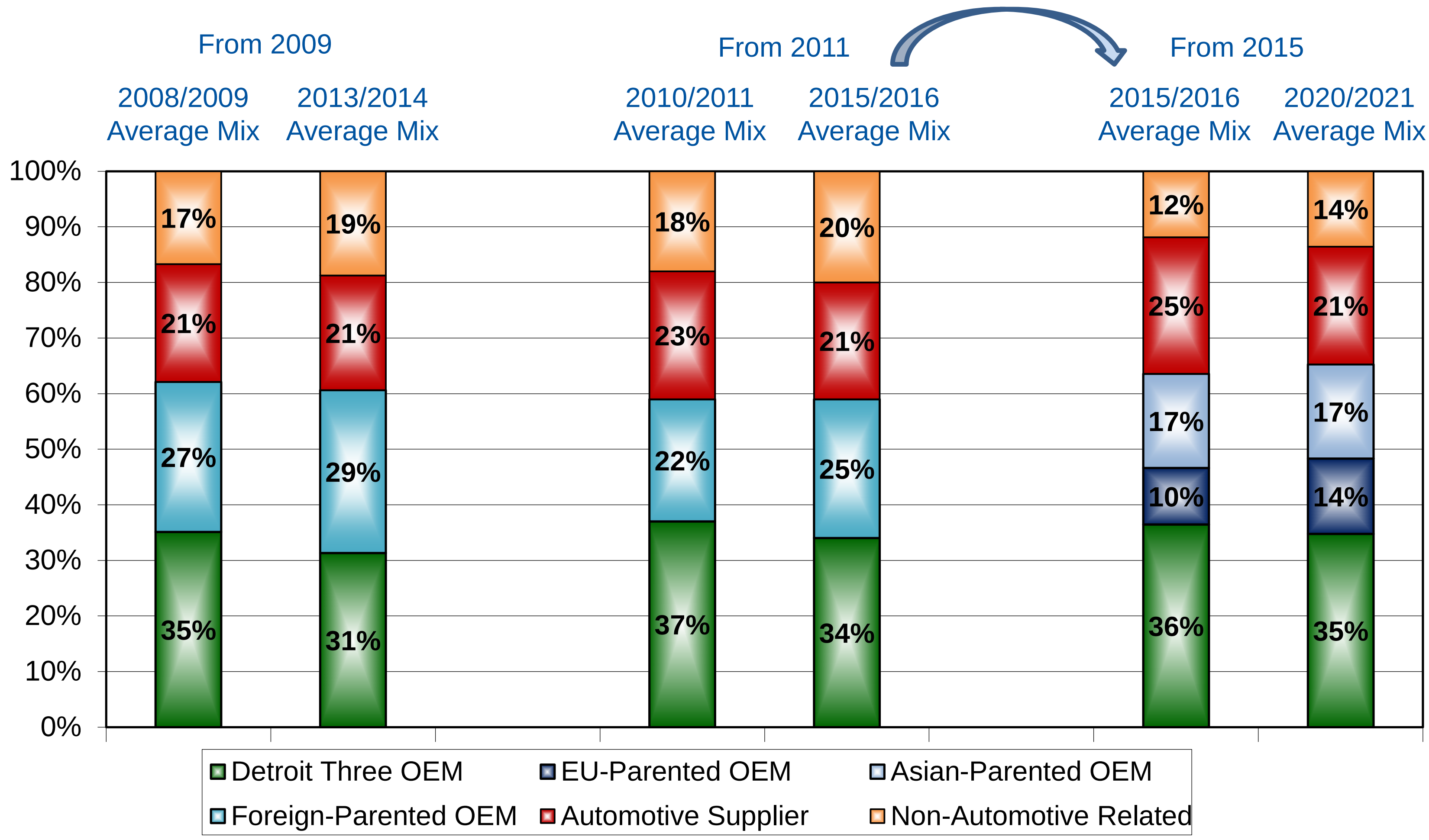
"Will stay the same" comments:

- We do not see much change at all in what we produce today. This will only change if there is a dramatic drop in volumes. We would then look to fill any open capacity in our facilities.
- Fill capacity, outsource unless new capital can be fully or near fully utilized.
- We are already highly vertically integrated and see that as an advantage for our business.

"Will decrease" comments:

- Car companies buy on price so we are outsourcing more of our traditional operations done in North America. Our EBIT to Beginning Invested Capital is increasing.

Estimate the percent of your company sales mix in 2015/2016.
Estimate the percent of your company sales mix in 2020/2021.



No. of Responses = 90

Estimate the percent of your company sales mix in 2015/2016. Estimate the percent of your company sales mix in 2020/2021. (continued)

"2015/2016" comments:

- FCA and GM are the largest customers.
- Will be diversifying to J3 OEMs.
- Light trucks market will continue to growth. Cars will continue to lose market share.
- We only a small percentage of light vehicle.
- The majority of our equipment is integrated with a larger system before being sold to the OEMs.
- We are only focused on commercial vehicles.
- Our product is used exclusively on Detroit 3 vehicles. Otherwise we are expanding in the performance aftermarket.
- We are working more openly and easily with Asian and European related companies.
- Our primary business is replacement/aftermarket.
- Majority of business is production parts with Detroit 3 OEMs, primarily Ford.
- Our focus is diversification adding additional automotive suppliers and non-automotive related customers.
- Chrysler was put as part of Detroit 3 OEMs; Fiat was included in European-parented OEMs. Balance is aftermarket.

"2020/2021" comments:

- Increases with Asian OEMs.
- Continue J3 diversification efforts.
- EU OEMs will continue to struggle to penetrate US production market.
- Focus and growth expected in markets outside of automotive.
- Moving to Tier1.
- Hoping to move from Tier1 into Tier2/3 on select items.
- Anticipate increased diversification of customers, including slight growth in sales to Tier1 suppliers and non-automotive customers. Increased business with Asian-parented OEMs primarily due to increased presence in Asia.
- Growth of new product direct to OEM, high revenue product.
- Growing profitability operating outside of the OEMs (unsustainable profitability solely operating inside OEMs).
- Current strategies point to this mix being attainable.

Days Sales Outstanding

Considering the last 12 months, for your U.S. customers representing the top 80% of your business (by dollar volume), what is the average number of your Days Sales Outstanding (DSO)?

2015			2014			2013		
Upper Quartile Value	Median Value	Lower Quartile Value	Upper Quartile Value	Median Value	Lower Quartile Value	Upper Quartile Value	Median Value	Lower Quartile Value
57	**48**	**45**	**60**	**50**	**45**	**59**	**50**	**45**

On average, over the past 12 months, has this DSO number increased, stayed the same or decreased? (number of responses)

2015			2014			2013		
Increased	Stayed Same	Decreased	Increased	Stayed Same	Decreased	Increased	Stayed Same	Decreased
19	**44**	**7**	**21**	**46**	**7**	**16**	**53**	**11**

No. of Responses = 72

Days Payable Outstanding

For your U.S. suppliers representing the top 80% of your purchased material (by dollar volume), what is the average number of your Days Payable Outstanding (DPO)?

2015			2014			2013		
Upper Quartile Value	Median Value	Lower Quartile Value	Upper Quartile Value	Median Value	Lower Quartile Value	Upper Quartile Value	Median Value	Lower Quartile Value
60	**45**	**37**	55	45	35	55	45	40

On average, over the past 12 months, has this DPO number increased, stayed the same or decreased? (number of responses)

2015			2014			2013		
Increased	Stayed Same	Decreased	Increased	Stayed Same	Decreased	Increased	Stayed Same	Decreased
13	**58**	**2**	9	60	5	13	64	3

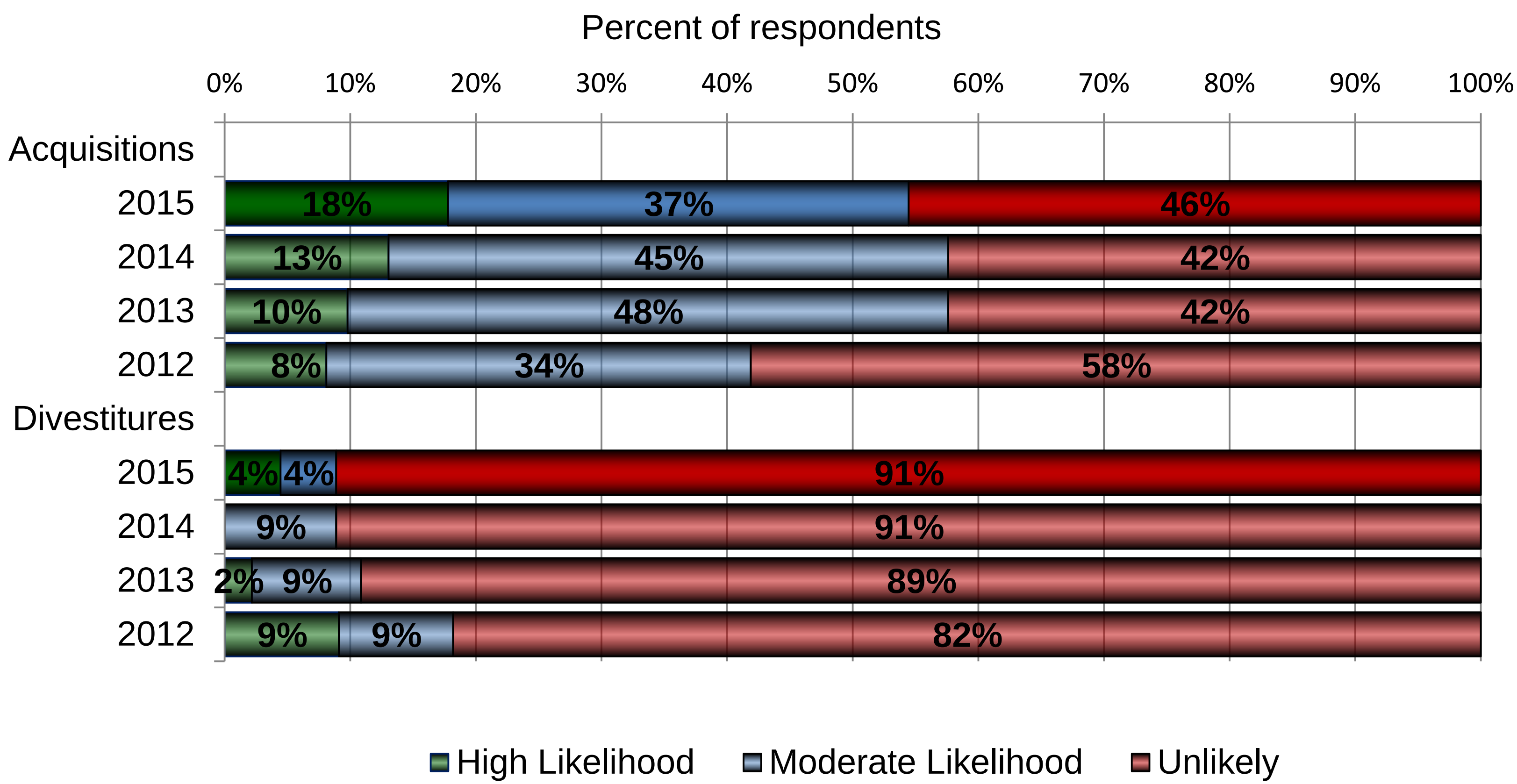
No. of Responses = 74

DSO and DPO (continued)

Comments

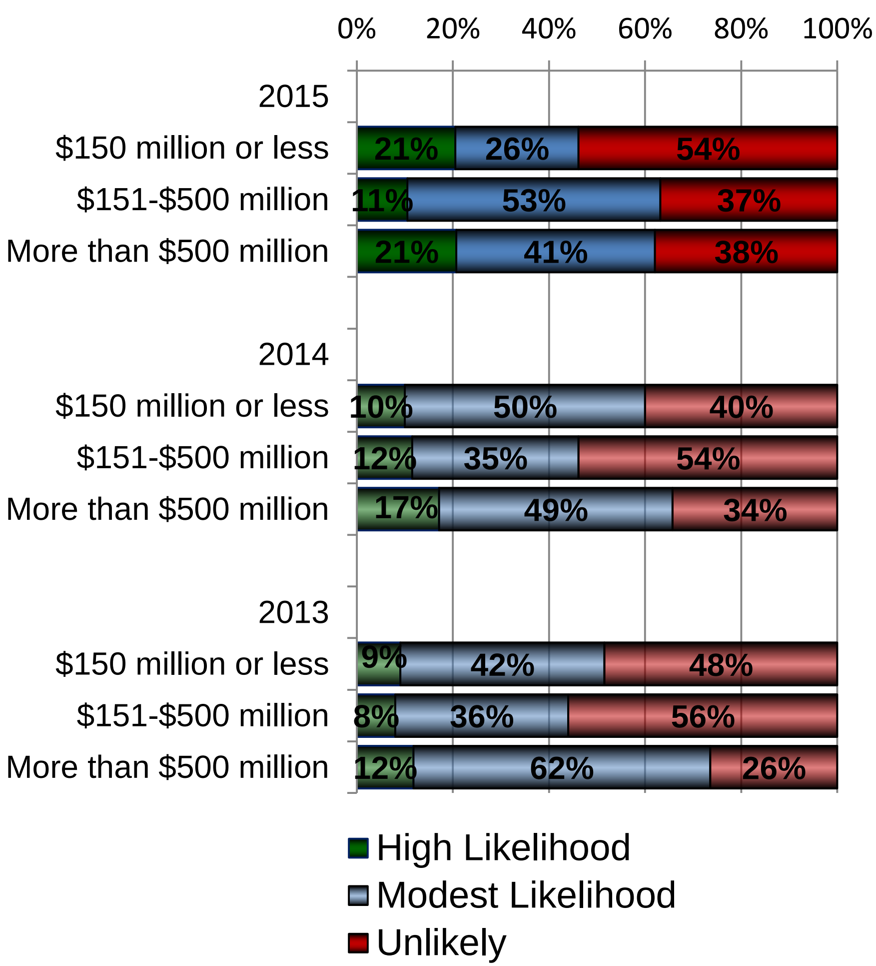
- We actively manage cash metrics to ensure an adequate spread exists between DSO and DPO. We have gained supplier cooperation to this end.
- Auto customers like to pay late, suppliers demand timely payment creating an uncomfortable bank-effect. Want to lower costs? Pay bills in a timely manner.
- No changes.
- One of our larger customers has early payment discount and always takes advantage of it. This keeps DSO down.
- Typical payment terms balanced, sometimes DPO stretches or trends a bit farther than DSO.
- A major bankruptcy of one of our Tier1 customers hurt our collections.
- Primary customer terms are N45 payment (AR), while typical AP terms are N30, and we typically pay a couple days early on average due to AP process.
- New customers are pushing for extended terms. We have some success pushing back. Current customers have maintained terms.

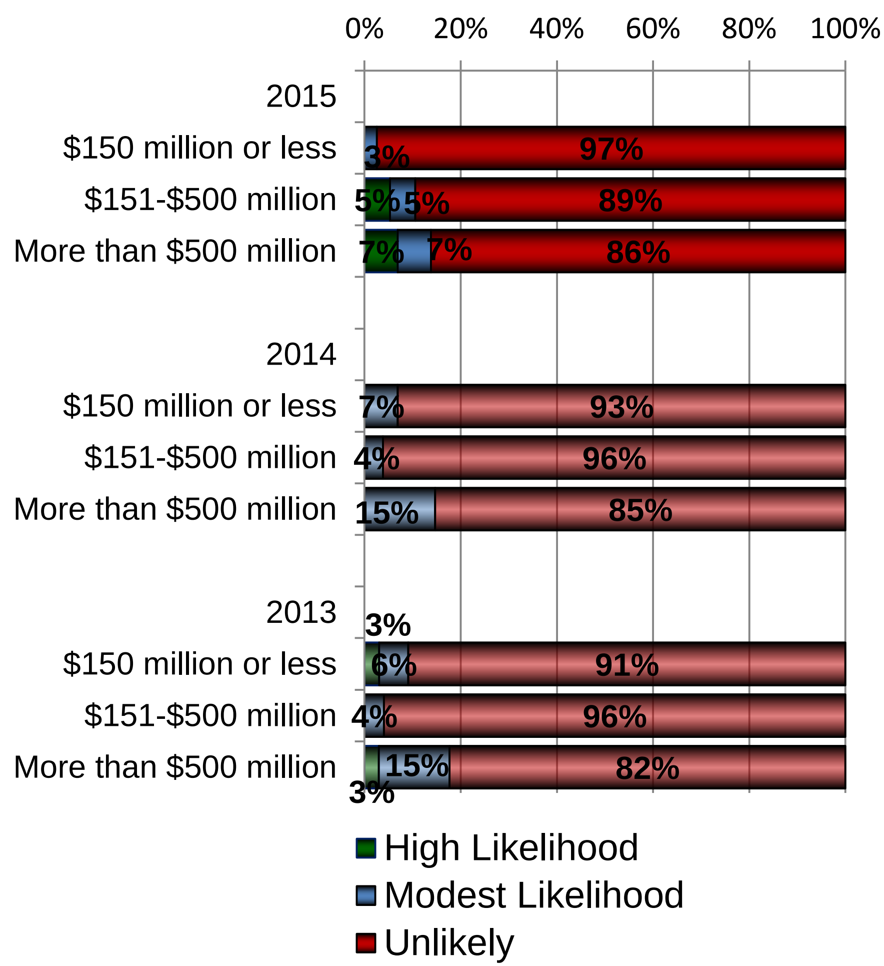
Over the next 12 months, what is the likelihood that your company will make acquisitions and/or divestitures?



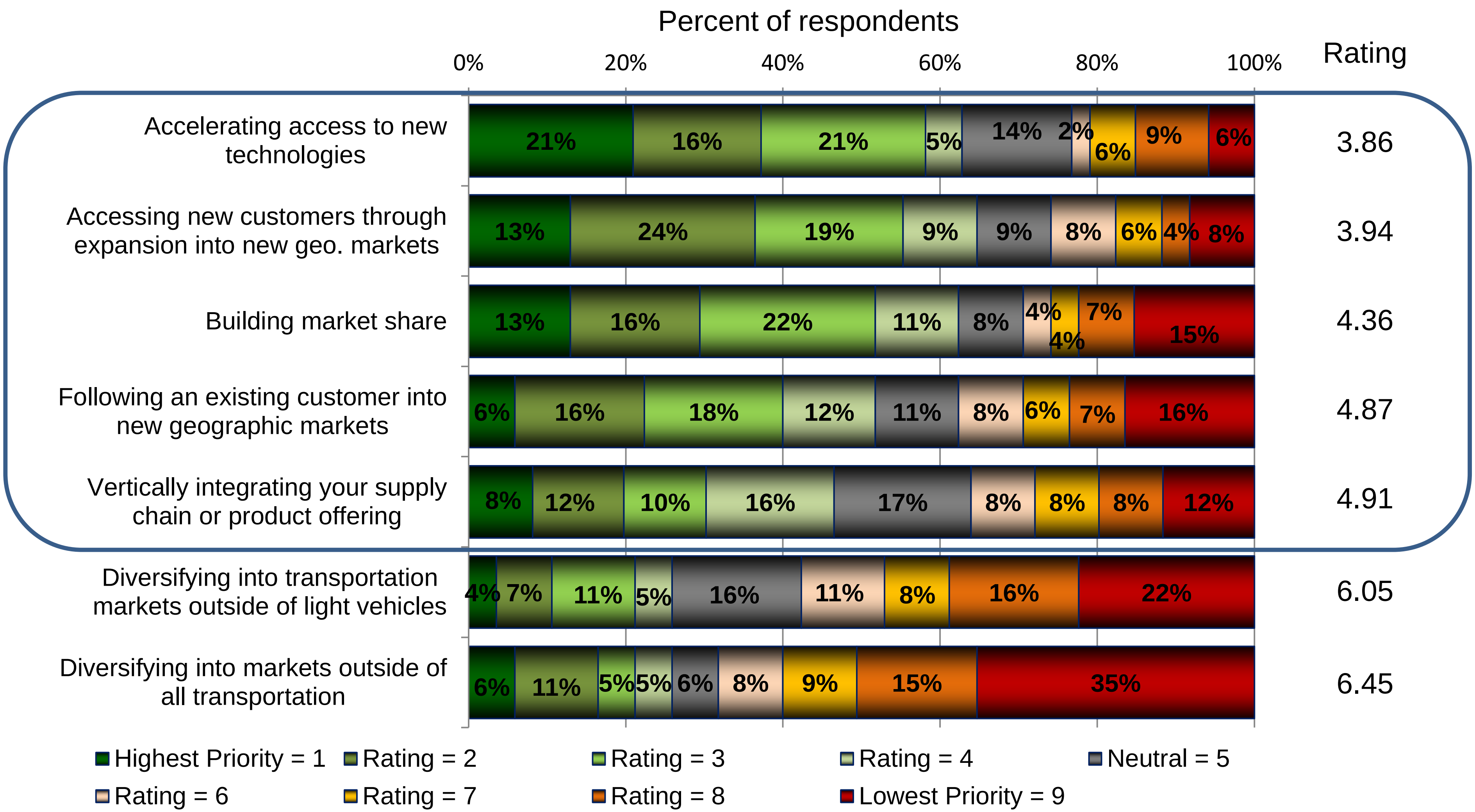
No. of Responses = 90

Over the next 12 months, what is the likelihood that your company will make acquisitions and/or divestitures?





Rate each of the following strategies in terms of priority for acquisitions.



Note: 34 survey respondents indicated they are not planning for acquisitions over the next 12 months.

No. of Responses = 85-86

Please elaborate on the various trends and drivers in general that are impacting the automotive supplier M&A activity.

North America:

- Migration into southern USA or to Mexico.

Europe:

- European exchange rate.

Asia:

- Expansion in Asia.
- Slow down in China.

Globalization-General

- Looking to diversify geographically,
- The need to be more diverse and large enough to support our customers' global needs.
- Globalization.
- With OEMs sourcing more and more on a global basis, the automotive supply base is leaning towards M&A to obtain that footprint.

Technologies:

- Light-weighting focus.
- Weight reduction, mass to engage in highly engineered proprietary technology.
- Processes.

Financial:

- Capital costs.
- Valuations too high!
- Further emphasis on economies of scale and/or improved vertical integration via acquisition, to improve cost position for the acquiring firm.
- Strong balance sheets.

Please elaborate on the various trends and drivers in general that are impacting the automotive supplier M&A activity. (continued)

Markets/Customers:

- Markets served. (2 responses)
- New customer expansion.
- Customer driven needs and wants.
- Reduced platforms.
- Increased presence of C3 OEMs in the US market.

Consolidation-General

- Consolidation of large automotive suppliers are requiring us to renegotiate existing agreements.
- Consolidation of the supply base seems to be the driving force.
- Significant roll-up of suppliers of all sizes. Feel a need to become significantly larger, or we will become rolled up by someone else as the industry's supply base shrinks. This is lead by changes in technology and part consolidation / integration.
- Valuations high for those who want to sell. markets strong for those who want to continue consolidation

Other:

- Expand for security.
- There are no specific trends driving the acquisitions. We are always searching for opportunities that will allow us to grow profitability in our core business groups.
- Desire for growth in a flattening production environment.
- Not interested in exposing more to OEM cycle.
- We will need more engineering resources to support our growth.
- Diversification.
- Higher value added electronic content.
- Success of mega-Tier1s, deconstruction of integrated systems by OEMs and re-sourcing as components with third-party assemblers.

What is the most significant short-term (12 months) challenge or issue that your company faces internally in reaching its overall 2015/2016 business plan?

Human Resources
(41 responses in 2015, 29 responses in 2014)
- Human resources - 8
- Acquiring talent – 7
- Proper training - 6
- Employee retention – 6
- Skilled trades - 4
- Engineering resources- 3
- Succession planning/talent management - 3
- Skilled assembly workers - 2
- Targeted hiring
- Labor productivity

Margin Protection
(12 responses in 2015, 4 responses in 2014)
- Improve EBIT- 3
- Containing costs - 3
- LEAN manufacturing implementation - need for lower costs (productivity) - 3
- Product development
- New cost benefit analysis to reduce costs
- Increasing margins

Capital Planning
(8 responses in 2015, 6 responses in 2014)
- Capital for growth - 4
- Working capital
- ROCE
- Cash flow during growth
- Capital controls

Launch Capabilities
(7 responses in 2015, 6 responses in 2014)
- Launch success - 6
- Meeting SOP production volumes consistently

Operations/Processes
(4 responses in 2015, 8 responses in 2014)
- New facilities - 3
- Operational improvement

Production Capacity
(4 responses in 2015, 10 responses in 2014)
- Capacity constraints - 2
- Open capacity
- Meeting capacity

What is the most significant short-term (12 months) challenge or issue that your company faces internally in reaching its overall 2015/2016 business plan?

Managing Growth
(3 responses in 2015, 9 responses in 2014)

- Executing the sales and marketing plan
- Longer-term growth plan for business increase
- Supporting rapid global growth

Other
(7 responses in 2015, 6 responses in 2014)

- Integrating new technologies into our existing business - 2
- Infrastructure support - shared services - 2
- Deployment of new IT/ERP systems
- Discipline to procedures for quality
- Narrow product breadth

What is the most significant short-term (12 months) challenge or issue that your company faces externally in reaching its overall 2015/2016 business plan?

Pricing/Competition
(17 responses in 2015, 10 responses in 2014)

- Pricing pressures – 7
- Cost competitiveness - 4
- Competition - 2
- Adjusting customer give back expectations
- Increased productivity requirements
- Foreign competition pricing
- Competitive threats due to shifts in focus or level of vertical integration

Economy
(14 responses in 2015, 4 responses in 2014)

- Market volumes - 7
- Economy - 4
- Currency exchange rate risk - 3

Managing Business/Growth
(11 responses in 2015, 8 responses in 2014)

- New product launch - 2
- Increasing competition capacity
- Adaptability to new product manufacturing locations
- Choice of markets to expand into

Managing Business/Growth (continued)

- Growing revenue and entry into light vehicle market
- Mergers
- Vertical integration
- Improve market share
- Maintaining performance
- New product quality

Global Markets
(10 responses in 2015, 10 responses in 2014)

- New competition - 4
- Uncertainly in global markets - 2
- Start-up in China
- Venezuela and Brazil
- EU and China economic situation
- New competitors coming to the USA and Mexico

Customer Management
(10 responses in 2015, 14 responses in 2014)

- Increasing breadth of products sold to existing customers - 2
- OEM terms

What is the most significant short-term (12 months) challenge or issue that your company faces externally in reaching its overall 2015/2016 business plan?

Customer Management (continued)
- Customer buy-in
- New customers
- Program launch delays
- Unannounced shut-downs
- Customer commitment
- Breaking into more of the Asian and European transplants
- Open new opportunities with current customers

Forecasting/Capacity Planning
(5 responses in 2015, 16 responses in 2014)
- Customer scheduling capability - 2
- Forecast accuracy
- Capacity
- All customers pulling over capacity

Raw Material Markets
(3 responses in 2015, 5 responses in 2014)
- Purchase price variance
- Raw material volatility
- Stable commodity prices

Other
(9 responses in 2015, 10 responses in 2014)
- Finding talent - 3
- Availability of skilled technical resources in the marketplace
- Recruitment engineering
- Retaining current employees / hiring talented people
- VISA issues
- Creating stronger brand image
- Engaging new technologies

What is the most significant <u>long-term</u> challenge or issue that your company faces <u>internally</u> in reaching its overall 2-5 year business plan?

Human Resources
(22 responses in 2015, 20 responses in 2014)

- Training - 4
- Talent acquisition - 3
- Employee retention -3
- Competitive wage rate versus foreign competition
- Human resources
- Health benefits
- Skilled trades / engineering
- Mechatronics engineers
- Succession planning for key executives
- Executive turn over
- Skilled resources
- Employees
- Global management HR needs
- Engineering and quality planning
- Talent

Maintaining Profit Margins/Growth
(13 responses in 2015, 19 responses in 2014)

- Executing the sales and marketing plan
- Sales growth
- Controlled growth

Maintaining Profit Margins/Growth (continued)

- Properly timing growth
- Manage successfully the growth
- Expansion
- Adding enough resources to support growth plans
- Operating performance
- Become a medium-sized company
- Retaining the corporate culture during growth
- Achieving proactive, profitable growth and diversification strategy
- Integration of major acquisition
- Size/scale

Capacity/Footprint/Capital Planning
(12 responses in 2015, 20 responses in 2014)

- Open capacity
- New facilities - 2
- Facility in Mexico
- Expansion
- Handling several major expansion projects in different regions
- The next cycle

What is the most significant long-term challenge or issue that your company faces internally in reaching its overall 2-5 year business plan?

Capacity/Footprint/Capital Planning (continued)

- Growth into new geographic regions
- Capacity, capital equipment
- Global footprint development
- Capital expenditure and R&D investment versus dividends for shareholders
- Raising capital

Cost Containment/Productivity
(11 responses in 2015, 6 responses in 2014)

- Improve operating OEE
- Operational improvements
- Productivity improvement
- Increasing productivity
- Maintain internal costs
- Reducing costs
- Driving down costs to meet market demands
- Consolidate our operation
- Manufacturing flexibility
- Maintaining productivity levels and fixed cost
- Instilling LEAN culture through out the organization

Products/Technology
(11 responses in 2015, not a category in 2014)

- Product development - 3
- Innovation - 2
- Technology
- Finding and developing new technologies
- Launching new products
- Successfully carrying out numerous launches of new products
- R&D
- Competitive and niche offerings to maintain/win OEM business

Other (8 responses in 2015, 9 responses in 2014)

- Infrastructure support - shared services
- Identifying M&A
- Getting a share of the investment dollars
- Consolidate the strategy of the group
- Prioritization and focus
- Ownership transition to another generation of family members
- IT support
- Global structure

What is the most significant long-term challenge or issue that your company faces externally in reaching its overall 2-5 year business plan?

Globalization/Competition
(21 responses in 2015, 20 responses in 2014)

- Increased competition - 5
- Asian competition - 2
- Global competition - 2
- Industry consolidation
- Growth opportunities in China and Europe
- Competition with private equity mentality (grow share at expense of profit)
- New competitors coming to the USA and Mex
- Possible consolidation among big players
- Competitive threats to current or future business based on price competition in select segments
- Cost competitive design
- OEM is shrinking supply base
- Global expansion
- Expanding global footprint
- Geographic shift of current customers
- Market share growth amongst larger players

Market Demand
(18 responses in 2015, 14 responses in 2014)

- Expanding into new markets
- Managing business in the emerging markets
- Acquisitions and market growth
- Growth in Mexico and Asia
- Whether central Mexico achieves what everyone is projecting
- Creating demand
- Gaining acceptance in new markets
- External market change
- Breaking into the performance aftermarket
- Finding new customers outside of automotive
- Establishing worldwide marketing efforts from a US based manufacturing location
- Successful penetration of A/P markets
- Market penetration
- Market fluctuations
- Market slow downs
- Uncertainty in global markets
- Keeping up with technology
- Engaging new technologies

What is the most significant long-term challenge or issue that your company faces externally in reaching its overall 2-5 year business plan?

Customer Management
(9 responses in 2015, 5 responses in 2014)
- Long-term agreements
- Commodity pricing as opposed to technology/support based pricing
- Firing poor customers
- Price wars
- External pricing
- Shorter customer lead-times to launch new programs
- Customer pressure to invest
- Make our customers understand our potential as a group
- Stability of demand from the OEMs

Economy
(8 responses in 2015, 9 responses in 2014)
- Economy - 3
- Macro economics
- Fed rate increase and international economy
- Overall economy staying positive (recession)
- New home construction, access to financing for consumers
- Stable commodity prices and stable economy along with obtaining new business awards as budgeted

Sales/Profitability
(5 responses in 2015, 11 responses in 2014)
- Maintaining volumes
- Developing contacts
- Growing revenue
- Customer diversification
- Finding new customers

Other
(9 responses in 2015, 11 responses in 2014)
- Safety regulations in EU and Asia
- US trade agreements with EU and Asia
- Retaining current employees/hiring talented people
- Regulations
- Develop an strategic alliance
- Hiring
- Successful launch of new programs
- Product integration
- Body material changes

Thank you for your participation

The OESA Automotive Supplier Barometer survey is published every other month. The next survey will be launched on Monday, September 14, 2015 and will be released Friday, September 18, 2015.

For media questions
and comments, contact:
Dave Andrea
Senior Vice President
Industry Analysis and Economics
248.952.6401 ext 228
dandrea@oesa.org

For content questions
and comments, contact:
Kathy Reiss
Director
Research and Industry Analysis
248.952.6401 ext 247
kreiss@oesa.org

OESA
1301 W. Long Lake Road
Suite 225
Troy, MI 48098
www.oesa.org

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