



Global Automotive Supplier Study

Short version

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LAZARD

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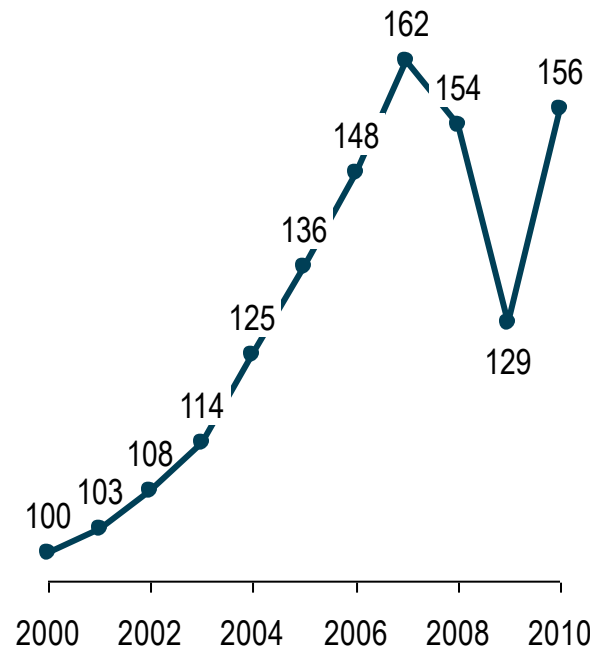
Management summary

- > Driven by booming car sales, the global automotive supplier industry achieved **record profitability in 2010** (6.2% EBIT margin on global average)
- > However, financial performance of suppliers differs heavily depending on headquarter region, company size and product focus.
 - **European suppliers** achieved an EBIT margin of almost 7%, while North American and Japanese suppliers remain below global average
 - **Small and medium-sized suppliers** have significantly improved their profitability compared to pre-crisis levels
 - **Chassis focused suppliers** achieved the highest profitability, while Interior and Electric suppliers remain below average
- > Revenue outlooks for 2011 full-year and for 2012 are **relatively stable**. Also profitability is expected to stay at a reasonable level, but **drop below 6% EBIT** margin on a global average
- > Besides keeping profitability at a high level and ensuring real global delivery capability, suppliers need to put an even stronger focus on **product innovation**. Only suppliers who can differentiate themselves from competition via superior product functionality will be able to sustainably achieve EBIT margins in the range of 6% and above. Most other suppliers will get further pushed into the commodity corner, where their profit will be locked-in at a 3-4% level

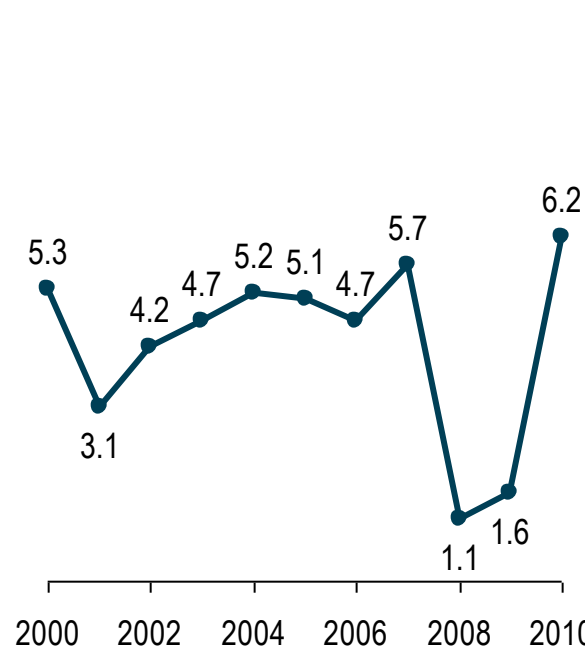
Driven by booming car sales, the global automotive supplier industry achieved record profitability in 2010

Key supplier performance indicators 2000-2010 (n = ~600 suppliers)

Revenue growth [2000=100]



EBIT margin¹⁾ [%]



ROCE²⁾ [%]



1) EBIT after restructuring items 2) EBIT after restructuring items/capital employed

However, financial performance of suppliers differs heavily depending on region, company size and product focus

Profitability trends in the global automotive supplier industry

REGION

1



COMPANY SIZE

2



PRODUCT FOCUS

3



- > **European** suppliers improved average EBIT margin to ~7%
- > **Chinese** and **Korean** suppliers achieved double-digit EBIT margins

- > **Small/mid-sized suppliers** (below 1bn EUR revenues) achieved highest profitability

- > **Chassis** and **Exterior** focused suppliers with strongest margin improvements
- > **Powertrain** and **Tire** suppliers still above average



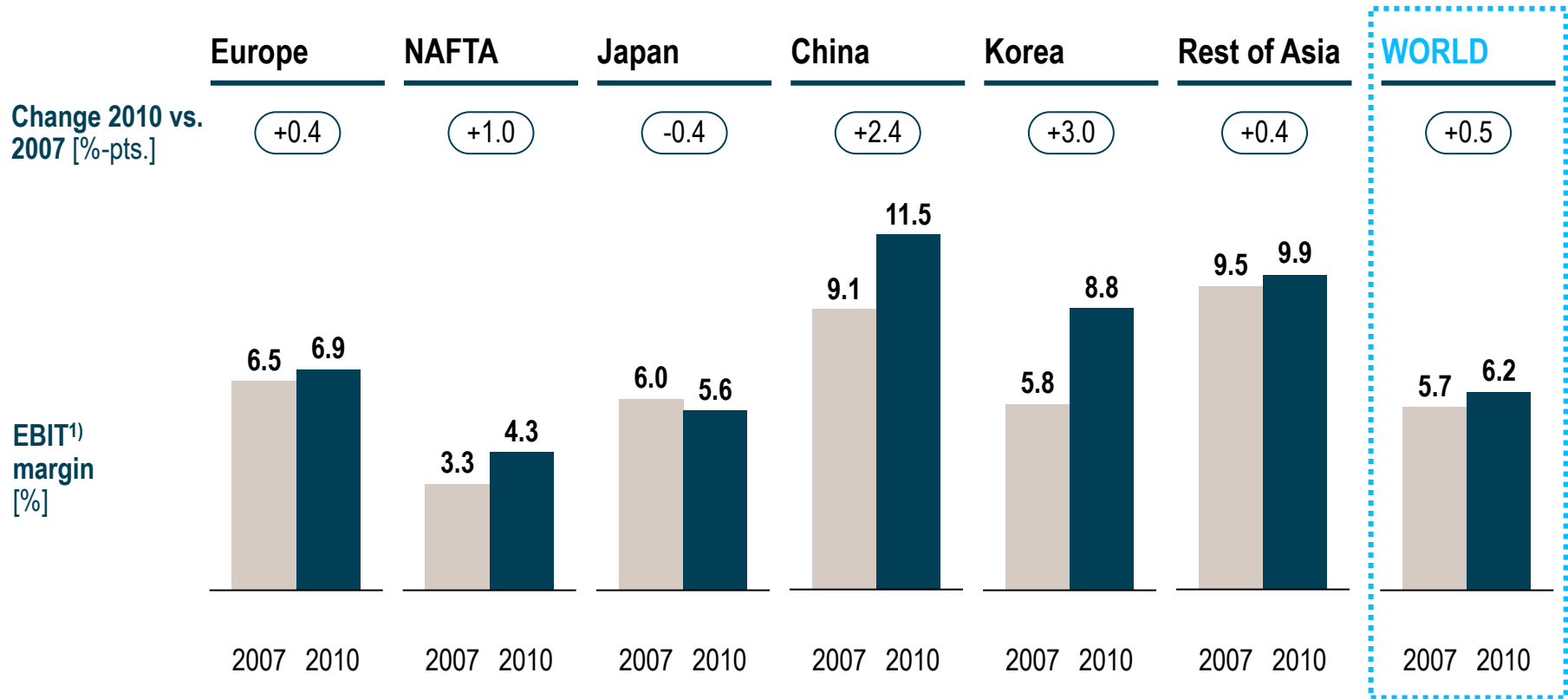
- > **Nafta** suppliers improved, but still have the lowest profitability
- > **Japanese** suppliers also below average

- > Suppliers with **>10 bn EUR** revenues show lowest profitability levels

- > **Interior** and **Electric/Infotainment** suppliers significantly below average around the world

European suppliers achieved an EBIT margin of almost 7%, while North American and Japanese suppliers remain below global average

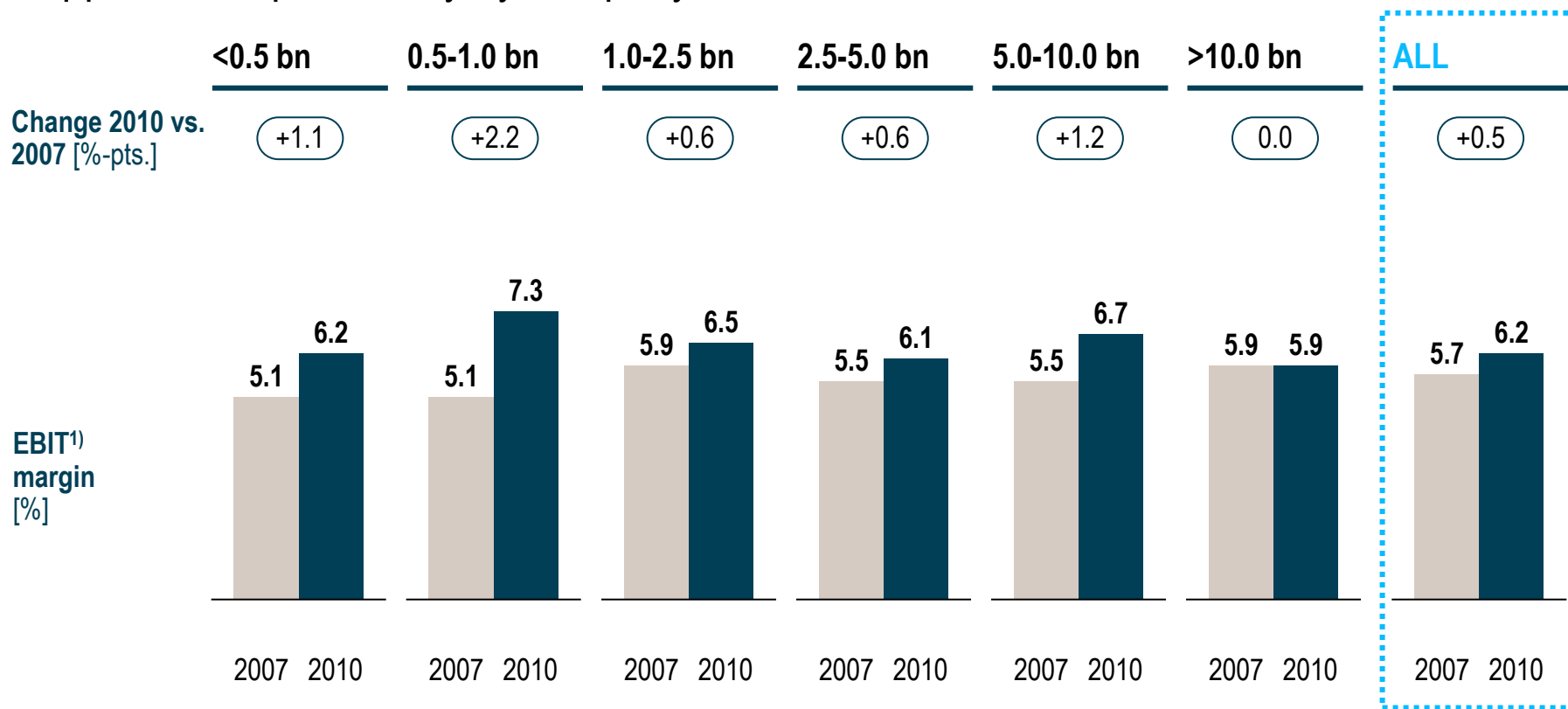
Supplier EBIT profitability by headquarter region 2010 vs. 2007



1) EBIT after restructuring items

Small and medium-sized suppliers have significantly improved their profitability compared to pre-crisis levels

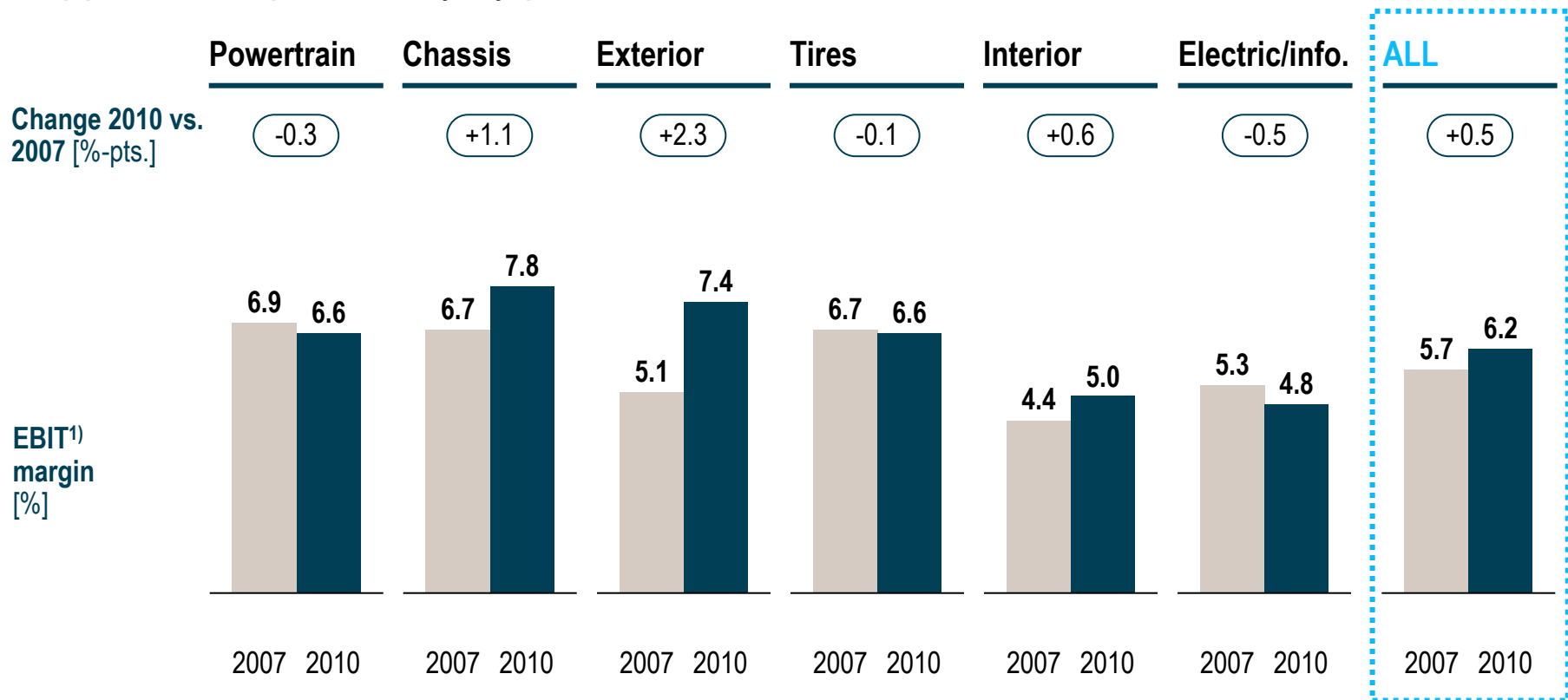
Supplier EBIT profitability by company size 2010 vs. 2007



1) EBIT after restructuring items

Chassis focused suppliers achieved the highest profitability, while Interior and Electric suppliers remain below average

Supplier EBIT profitability by product focus 2010 vs. 2007

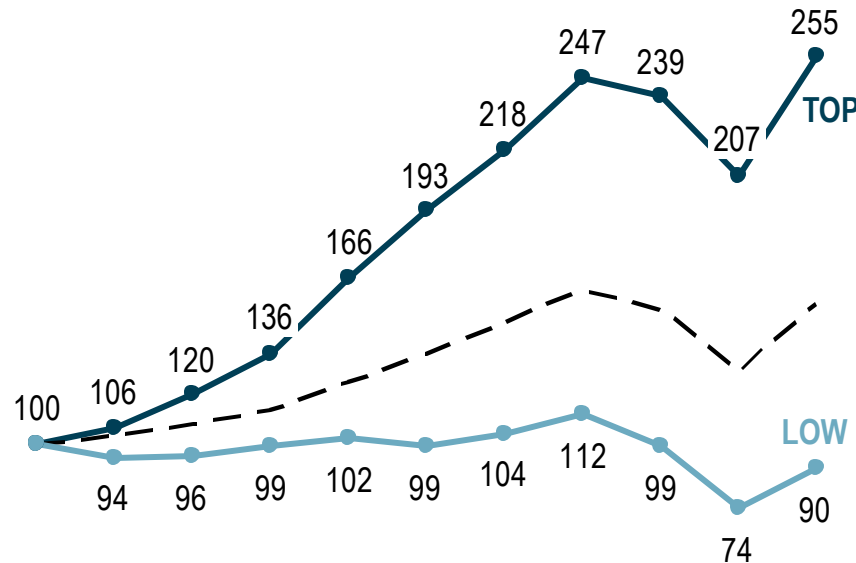


1) EBIT after restructuring items

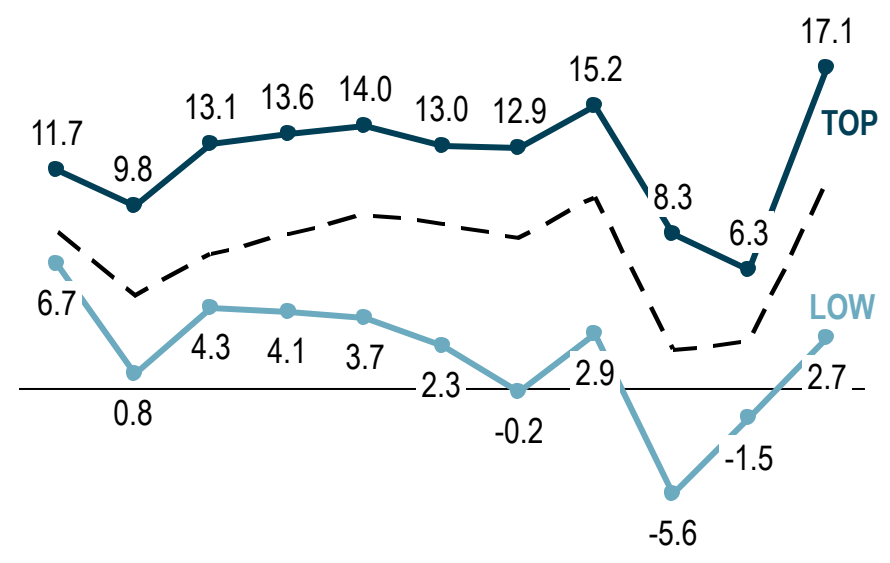
The 2008/2009 crisis has further broadened the gap between Top and Low performers in the supplier industry

Global supplier performance 2000-2010¹⁾

Revenue growth [2000=100]



ROCE [%]



2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

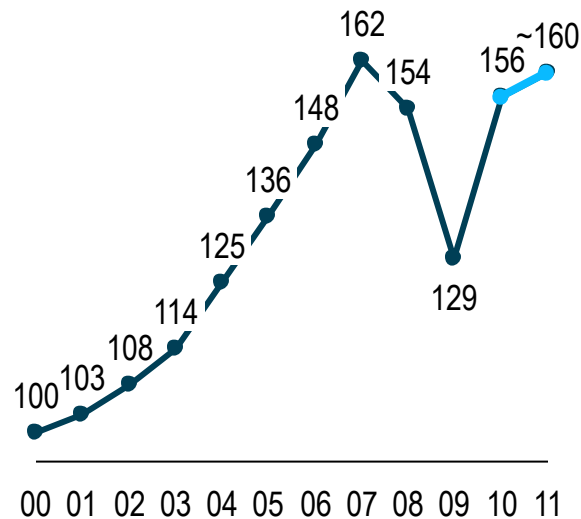
1) Top = Top quartile, Low = Bottom quartile

--- Industry average

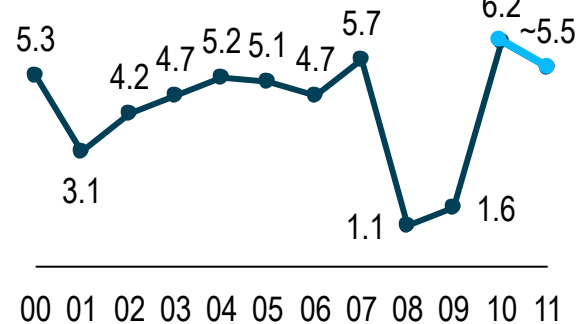
Our forecast for 2011 full-year financial performance: global average profitability is expected to drop below 6% EBIT

Key supplier performance indicators 2000-2011e

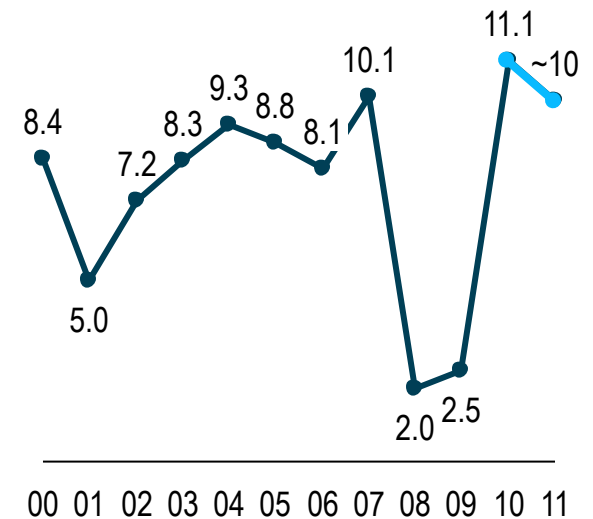
Revenue growth [2000=100]



EBIT margin¹⁾ [%]



ROCE²⁾ [%]



Positive drivers:

- > Still very good sales in BRIC markets
- > Stable mature markets

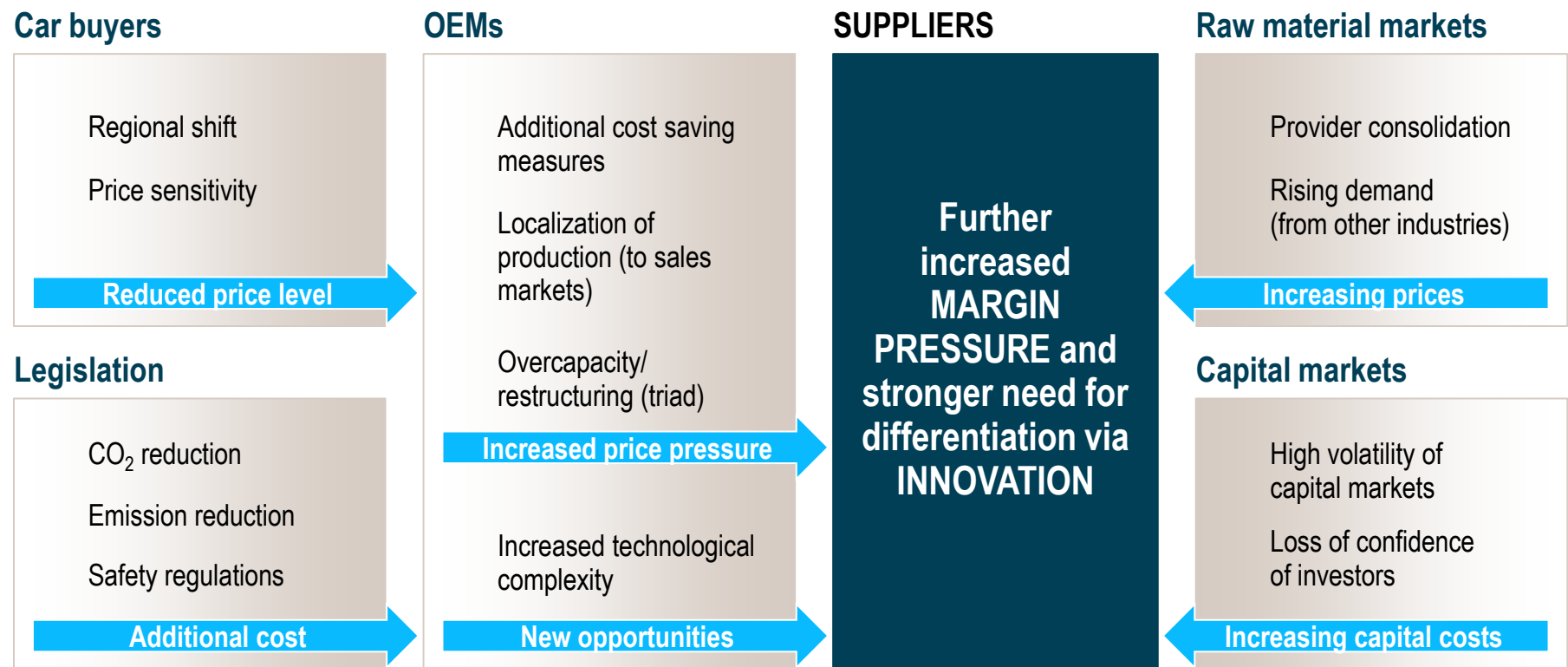
Negative drivers:

- > Cool-down in China
- > OEM price pressure back to pre-crisis levels
- > Increased raw material prices

1) EBIT after restructuring items 2) EBIT after restructuring items/capital employed

The general industry framework for automotive suppliers will remain challenging

Trends shaping the supplier industry in the future



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