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Automotive Aftermarket

Michael Söding
President Automotive Aftermarket

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Michael Söding – Today's Automotive Aftermarket speaker

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Michael Söding (55)

President Automotive Aftermarket

1988	Engineering and business degree Dipl. WI-MB, TU Darmstadt
1989 – 1993	Pirelli Breuberg: Product Management, KAM
1993 – 1996	Hoppecke, Brilon: Sales & Marketing, AAM
1997	Knorr Bremse, Munich: Sales Europe, AAM
1997 – 2001	Exide, Büdingen: MD AAM Germany
2002 – 2009	Schaeffler, Langen: Sales & Marketing global, AAM
Since 2010	Schaeffler, Langen: President AAM and Member of the Executive Board Schaeffler Automotive

15 years with Schaeffler

Automotive Aftermarket – At a glance

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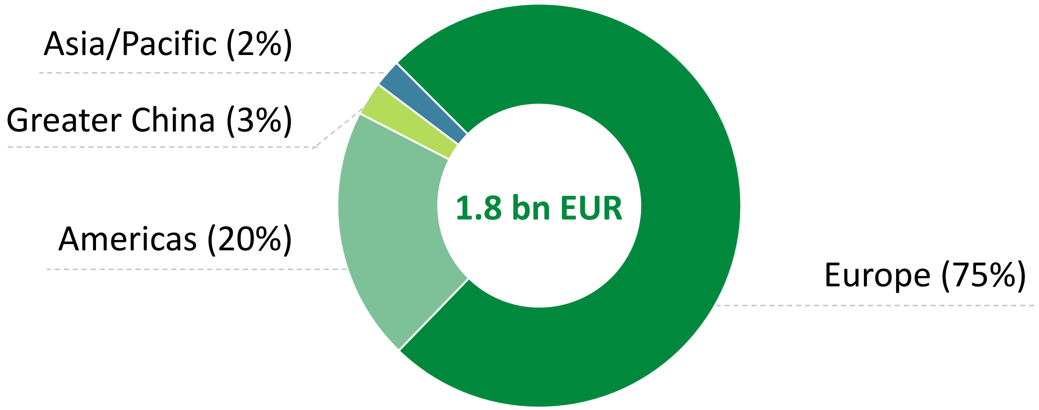
Two sales channels, three types of business

Regional Automotive Aftermarket Shares

2016

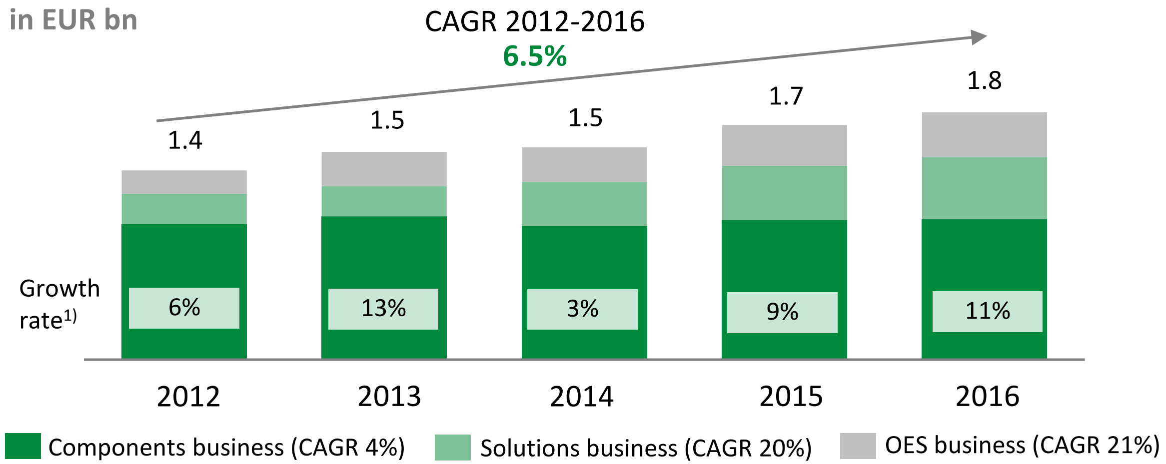


Key aspects

1. **Components business:** Traditional business with replacement parts like clutches, bearings and related components. Growth rate similar to global car fleet growth.
2. **Solutions business:** Complete sets and kits for one-stop repair solutions. Growing complexity of the cars as well as strong relationships with work shops as main drivers for outperformance.
3. **OES business:** Business with automotive manufacturers. Growing focus on the business over last few years with products like double clutches and dual mass flywheels.

Strong growth above market

in EUR bn



Dedicated pull strategy for whole value chain – Workshop satisfaction key for success

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The 7 levels of our market

Plants	SAAM	Distributors			Workshop			Consumers
Producer of parts	Producer of repair solutions: OE & Non-OE	National distributor	Regional distributor	Local distributor	Independent Garage or Workshop		IAM	Motorist
		OES Supra-National Distribution	OES National Distribution		Franchise Dealer			
					Local Distribution	Service	OES	

Top 7 player

- Pull Strategy along all distribution levels
- 50,000+ workshops trained p.a.
- 5,000 distributors globally
- Market leader in Europe and Americas

NPS* 55

71

53

2016
Supplier of the Year

TEMOT INTERNATIONAL

* Our Net Promoter Score - Workshop Level

Value proposition – 7 elements

- Know-how and Tools
- Pricing
- Availability
- Product
- CRM
- Customer
- Program/ Systems

Excellent satisfaction on workshop level

- 87 Product
- 87 Program/Systems
- 88 Availability
- 76 Know-how and tools
- 86 Customer service
- 85 CRM

Source: 2016 customer satisfaction survey 0 ... 100 score

Growth drivers in the Independent Aftermarket – Components and Solutions

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Components

- Traditional business with replacements parts
- Growing with global vehicle fleet
- Growing with average vehicle age

Solutions

- Complete sets and kits for plug n' play repair solutions
- Increasing vehicle complexity leads to increasing need for information on workshop level
- Total repair costs are dominated by labour costs, driving more and more comprehensive, all-in-one quality repairs

Outlook

- Trends in OEM business fuel future Aftermarket potential
- Repair solutions will remain core growth driver going forward
- Additional aftermarket potential from intelligent repair solutions for E-axles and hybrid modules

Business in 2025 is shaped by today's registrations – 20+ years lifecycle

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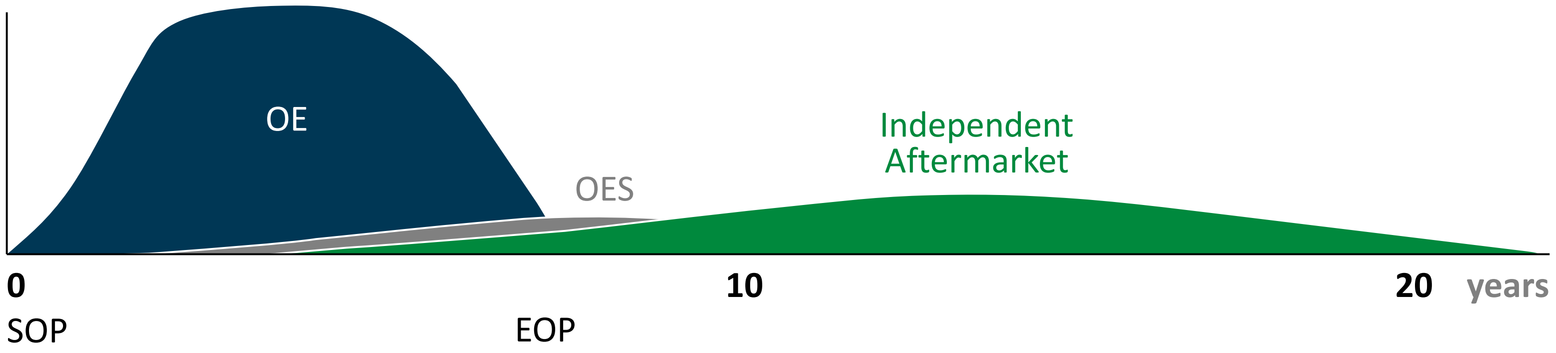
6 – 8 years OE lifecycle followed by 20+ years in the Aftermarket

Annual Volumes



With respect to Schaeffler product portfolio

Example – VW Golf

SOP 2003 – EOP 2008

Key aspects

- Lifetime revenue potential in Independent Aftermarket typically near half of revenues in OE lifecycle – for applicable product groups
- Change in powertrain technology has only limited impact on global car fleet or Aftermarket revenues potential in the short- and mid-term (20+ years lifecycle)
- Our best-selling product currently is our RepSet Dual Mass Flywheel for VW Golf produced in 2003-2008
- Short- and mid-term growth will come from increased need for repair/maintenance solutions due to more and ageing vehicles

Our markets continue to grow – Great potential in China

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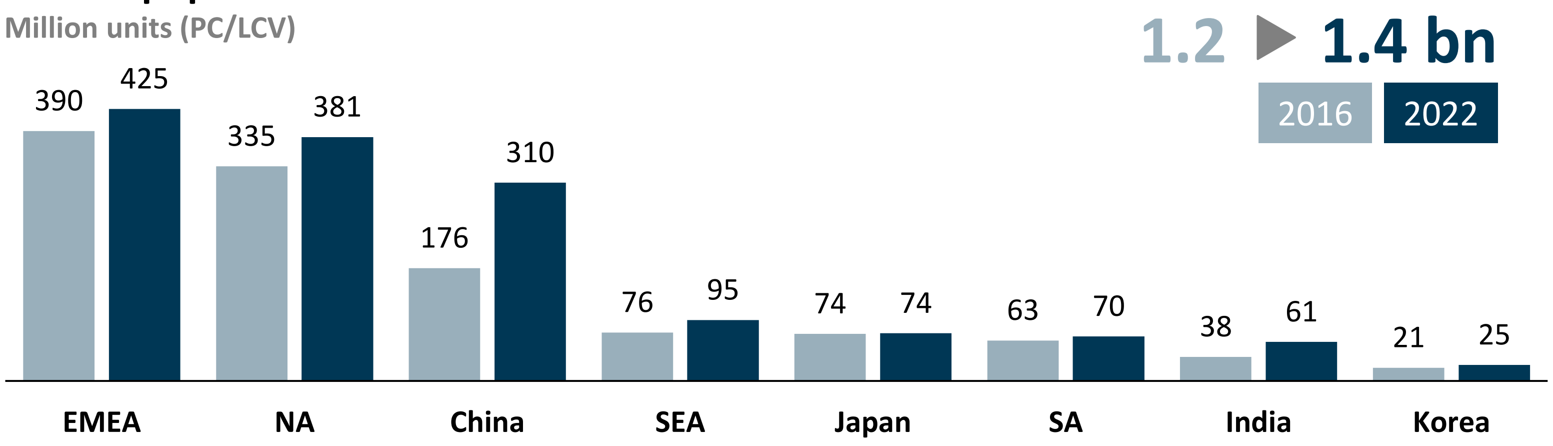
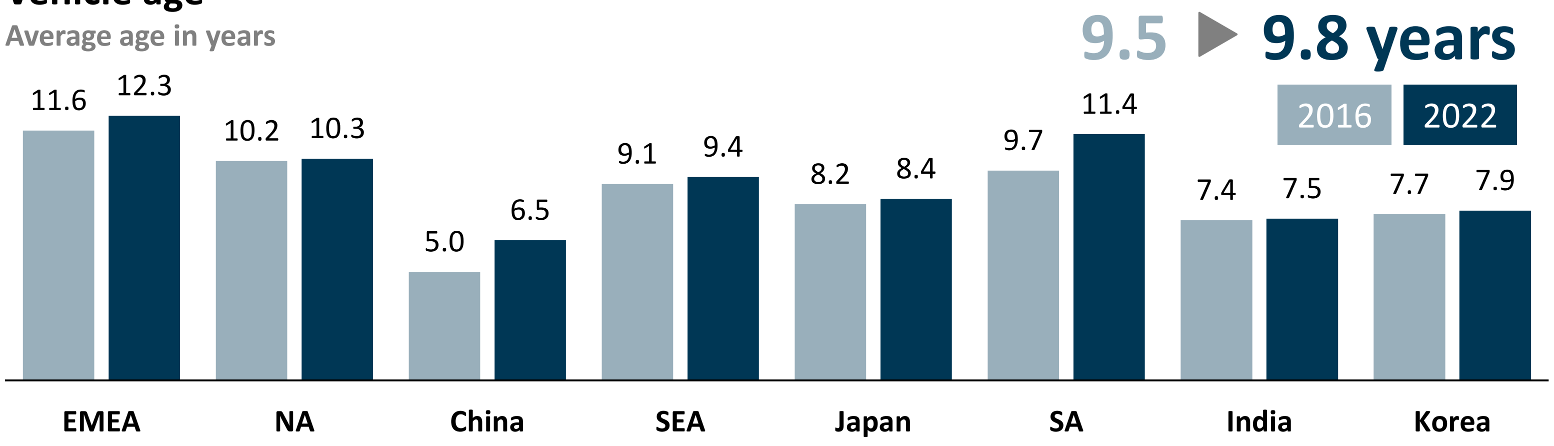
Vehicle population

Million units (PC/LCV)



Vehicle age

Average age in years



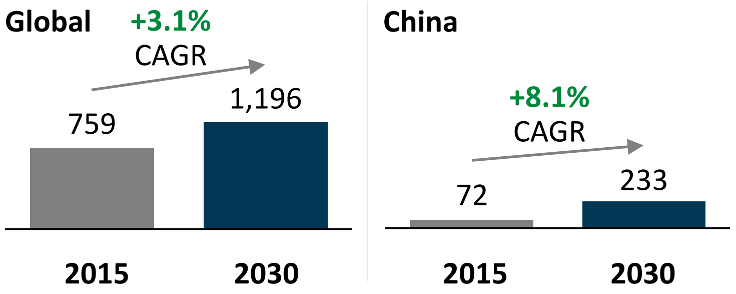
Source: IHS

Key growth drivers

- Global vehicle fleet will grow at 3.4% CAGR 2016-2020
- Vehicle age will continue to grow, especially in China & South America
- Total aftermarket revenues globally will grow from USD 759 bn to USD 1,196 bn (+3.1% CAGR 2015/2030)

Total aftermarket revenues

in USD bn



Source: McKinsey

Todays registrations are shaping our 2025 business

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Key growth drivers

- Growing and ageing car park will require more repair and maintenance
- Shift in technology and complexity will intensify need for knowledge transfer to workshops – one of our key strengths
- Today's newest vehicles will be at its maintenance peak in 2025
- Biggest growth potential in Asia, pending a maturing distribution
- Global car park diversity will put global players at an advantage – vehicles from everywhere in every market

Our key strengths

- Our ability to create intelligent solutions meets the challenging new technologies that the workshops are facing
- Our workshop support enables the mechanics to cope with the increasing vehicle complexity
- Digitalization will give us the opportunity to be in closer and more frequent contact
- More and older vehicles will lead to an increased number of repairs, and thus demand for our products
- We expect to outperform the market in the coming year by growing at least 4% (CAGR 2016-2025)

A success story since 40 years – Outperforming the market by creating Repair Solutions

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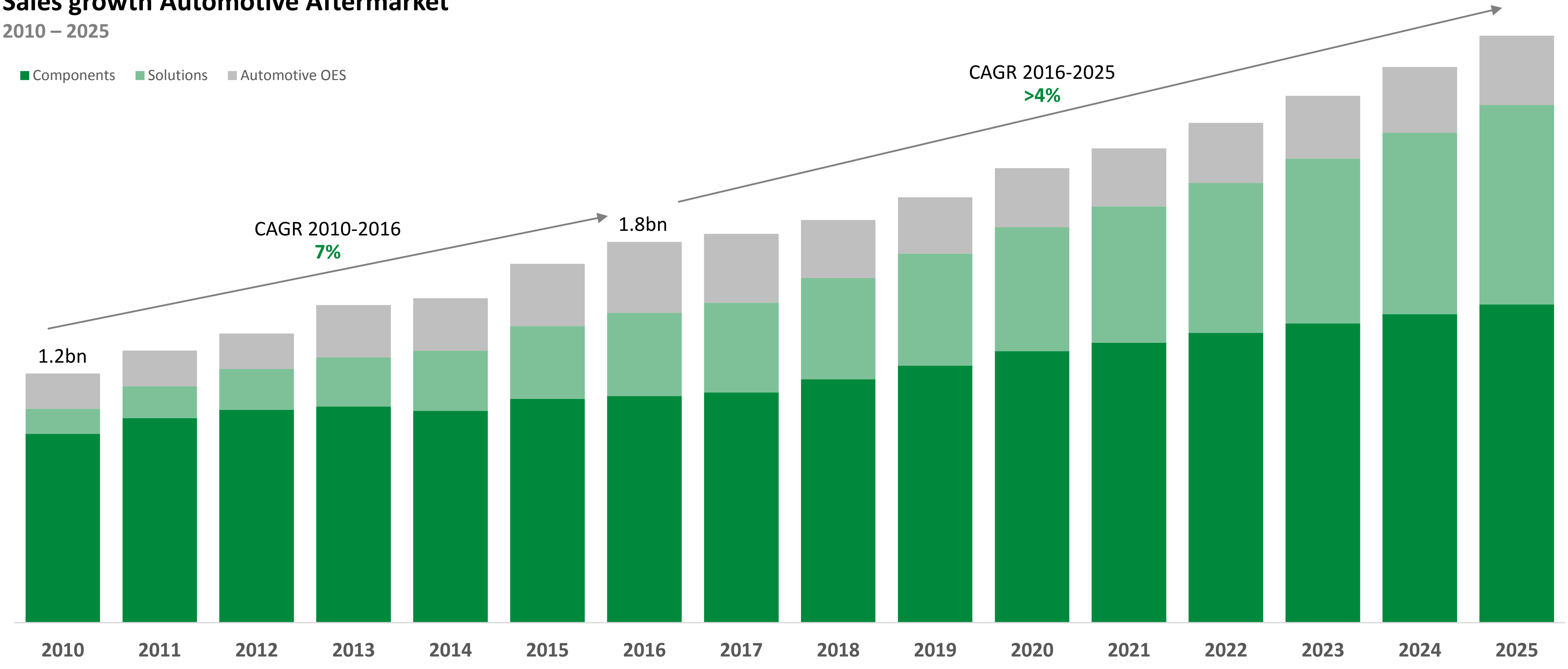
Sales growth Automotive Aftermarket

2010 – 2025



Key messages

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1. Our Aftermarket business combines the **innovation power** of our OE business with the ability to create market-driven repair solutions.

2. We see highest growth potential from **increasing complexity of vehicle technology** and **growing fleet size in China**.

3. Change in **powertrain technology has only limited impact** on our Aftermarket revenues potential in the next 20 years, but will drive our future potential.

4. Our fundamental growth story is intact. We continue to expect **at least 4% revenues CAGR 2016-2025**.

Profitable growth driven by technology, growing car park, and Asia