A New Era for the ‘New World’
North American Production Outlook

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Production Forecasting & Industry Analysis
IHS Automotive

DABE Automotive Outlook
24 January 2013
Presentation Outline

- Regional Outlook
- Market Dynamics
- OEM Profiles
- Summary
U.S. Light Vehicle Sales
Gauging the Rate of Recovery

U.S. Light Vehicle Sales SAAR

Units in Millions

Recessions shaded

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Demand Environment
North America Light Vehicle Sales Outlook
From 2001-2008, regional sales eclipse output by 24% or 3.65 million units.

Gap is slashed nearly in half from 2010-2019, as sales outpace production by 13% or by 2.0 million units.

Sales growth continues yet outlook remains cautious, fails to reach historical highs.

Long-term output to far surpass pre-restructuring average of ~16.0 million units.
Short-Term Outlook
North American Light Vehicle Production

- Production strength runs counter to Europe weakness; the industry has already restructured in region
- Excess capacity has been shuttered; plant & product investments push global platform deployment higher
- Output jumps 2.3M in 2012! Region recoups ~6.8M units since trough of 2009!
- More measured growth in 2013 prior to new capacity and further demand growth in 2014/2015
- Production localization

Source: IHS Automotive Light Vehicle Production Forecast
## North American Light Vehicle Production
### 2013 vs. 2012

<table>
<thead>
<tr>
<th>OEM</th>
<th>2013F (000s)</th>
<th>2012 (000s)</th>
<th>% Δ</th>
<th>Δ Units (000s)</th>
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</thead>
<tbody>
<tr>
<td>GM</td>
<td>3,237</td>
<td>3,233</td>
<td>0.1%</td>
<td>4</td>
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<tr>
<td>Ford</td>
<td>3,003</td>
<td>2,842</td>
<td>5.7%</td>
<td>161</td>
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<tr>
<td>Chry/Fiat</td>
<td>2,457</td>
<td>2,371</td>
<td>3.6%</td>
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<tr>
<td>Detroit 3</td>
<td>8,697</td>
<td>8,446</td>
<td>3.0%</td>
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<td>Toyota</td>
<td>1,782</td>
<td>1,776</td>
<td>0.3%</td>
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<td>Honda</td>
<td>1,721</td>
<td>1,676</td>
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<td>Ren/Nissan</td>
<td>1,454</td>
<td>1,316</td>
<td>10.5%</td>
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<td>Hyundai</td>
<td>722</td>
<td>714</td>
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<tr>
<td>Asian 4</td>
<td>5,679</td>
<td>5,482</td>
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<tr>
<td>VW</td>
<td>765</td>
<td>766</td>
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<tr>
<td>BMW</td>
<td>289</td>
<td>302</td>
<td>-4.3%</td>
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<td>Daimler</td>
<td>176</td>
<td>191</td>
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<td>German 3</td>
<td>1,230</td>
<td>1,259</td>
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<td>Others</td>
<td>249</td>
<td>227</td>
<td>9.7%</td>
<td>22</td>
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<td>Total</td>
<td>15,855</td>
<td>15,414</td>
<td>2.9%</td>
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</table>

- Production growth rate moderates, yet recovery progresses
- GM – Significant launch activity, including new K2XX Pickups
- Chrysler – Fiat-based product ramps-up
- Nissan – Migration of CUV production; Mexico expansion
- Transitional year prior to new program/plant launches in 2014/2015

Source: IHS Automotive Light Vehicle Production Forecast
North American Light Vehicle Production
Compelling Growth Prospects

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<thead>
<tr>
<th>Year</th>
<th>German 3</th>
<th>Asian 4</th>
<th>Chrysler/Fiat</th>
<th>Others</th>
<th>GM</th>
<th>Ford</th>
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<td>1.9</td>
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</tbody>
</table>

Source: IHS Automotive Light Vehicle Production Forecast

- Production outlook follows demand recovery with import substitution and export activity providing additional support
- Most manufacturers are poised to post gains; favors OEMs with further capacity expansion plans: BMW, Hyundai, VW, Nissan, Toyota & Honda
- Global product/platform strategies enable competitive sourcing shifts
Presentation Outline

- Regional Outlook
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Production Outlook
North American Produced Vehicle Exports Bolster Prospects

North American Vehicle Exports by Region

- Greater use of global platforms allows for more “export ready” product
- 40+ Free trade agreements drive Mexican output
- Expansion of luxury segment capability across the region into Mexico
- EU sovereign debt crisis tempers EU exports, yet BRIC demand grows
- Sourcing patterns favor NA expansion as a safe haven; with currency hedge & export prospects

Source: IHS Automotive Light Vehicle Forecast
Production Outlook
Global Output of D-/E-Segment CUVs By Region

- North America is the leading producer of high-margin CUVs
- Positioned evolved from strength in SUV category, comes full circle via global platform deployment
- Powertrain advances help drive role as global exporter: BRIC markets, ME/Africa, S. America, China, etc.
- Region holds global sourcing position for luxury & volume brands
Production Outlook
North American Market Structure

Output (Millions)

- United States
- Mexico
- Canada
- Change


CAGR 2.3%
CAGR 5.0%
CAGR -3.2%
Production/Capacity Contributions
Localization Drives Higher Regional Output

Since 2008
- 15 New Plants
- Output: US – 60%; Mexico – 40%
- Asian 4: more than half of gains
- German 3: ~18% of new output

Millions


Renault/Nissan  VW  Toyota  Mazda  Hyundai  Honda  GM  Other  Ford  BMW
Market Dynamics
Global Platforms Drive a New Reality

Economies of Scale (Platforms >50K) (000,000s)

- Regional
- Global
- Global Share
- NA Share

Gap Converges

73.7%
69.8%

2000
2012
2019

Share of Volume (%)

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2013 Detroit Auto Show Review
A Redesigned Icon / Rise of the Pickups / Luxury Unveilings
Market Dynamics
Competitive Pressures Intensify with New Launch Activity

North American Program Launches

Calendar Year

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OEM Review
Detroit 3 – Leveraging Strengths

- Risk/reward profile remains fluid (Trucks/SUVs)
- Trucks: forthcoming redesign, plan segment rebound
- Strong scale – yet must deliver stunning product
- Opel chaos, requires hard choices – PSA tie up - LCVs

- Strong portfolio of fresh products, global breadth
- Cautious market perspective, Lincoln rebuilding
- Compelling vehicle & engine platform scale
- Asia strategy post Mazda still in its early stages

- Updates deliver interim results; Chrysler buoys Fiat
- Severe EU market exposure; China still a weak spot
- Grand Cherokee strong - global Jeep push
- Key launches, aggressive plans, must conquest - Wildcard
OEM Review
Asian 4 – Rebuilding and Reconnecting

- Rebuilding - still formidable, vast resources, global scale
- New launches help recast brand: RAV4, Avalon, Furia concept offers glimpse of Corolla cues
- Renewed urgency; growth returns, tempered
- Incredible recovery in 2012 – big momentum shift
- Product misses – quick Civic revamp signals change
- Traditionally slow to expand segment coverage
- Strong localization plans in progress - CUVs
- Export strength: Smyrna, Canton, Mexico expansion
- Redesigned Altima aimed at Toyota and Honda offerings and Mid-Size Car leadership
- Unconventional growth mindset - HCD-14 Genesis
- Momentum exploits missteps of competitors
- Overstated mileage fallout – requires a deft touch
OEM Review
German 3 – Next Steps and A New Start

- US expansion continues, high export strength, broad global appeal; Mexico expansion?
- X4 builds on CUV expertise, broadens appeal
- $2.0B investment - C-Class sourcing, CUV expansion; export strengths
- Redesigned M-Class; R-Class refresh extends lifecycle due to BRIC demand
- C-Segment strength in Mexico expands to D-segment CUVs for Audi
- VW ‘value model’ extends across segments
- Ongoing export strength, yet EU turmoil is real threat

North American Production Share (%)

2006 2009 2012 2015 2018

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North American Outlook
The Old ‘17’ ≠ the New ‘17’

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>17.2 million units (30% of global)</td>
<td>17.5 million units (18% of global)</td>
</tr>
<tr>
<td>Location</td>
<td>~25% built south of Ohio</td>
<td>~50% built south of Ohio</td>
</tr>
<tr>
<td>Global Platform</td>
<td>20% was deemed global – mostly Japanese OEMs</td>
<td>62% is deemed global – mainly pickups are regional</td>
</tr>
<tr>
<td>Exposure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design Base</td>
<td>72% of volume NA-designed</td>
<td>30% of volume NA-designed</td>
</tr>
<tr>
<td>Production OEMs</td>
<td>Top 5 OEMs = 89% of total (Largest = 32%)</td>
<td>Top 5 OEMs = 73% of total (Largest = 20%)</td>
</tr>
</tbody>
</table>
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Summary

• **North American momentum is building – Shift from Recovery to Growth**
  – Economic risks remain yet US demand continues to strengthen
  – Output +2.3 million units in 2012, growth eases to +450K in 2013
  – EU turmoil has wide impacts: product delays, redirected supply
  – New product surge: new segments, resource constraints, margin pressures

• **Globalization bolsters competitive position of North American industry**
  – North America well-positioned – restructured with a lower breakeven point
  – Competitive dynamics are fluid; global export growth vs. product consolidation

• **Regulatory changes drive investments: Safety, Convenience, Powertrain**
  – Regulatory environment continues to evolve, keep strategy flexible

• **Robust long-term prospects remain**
  – Local output of all-new entries surges, serving as gateways to secure growth
Thank You!

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