



Detroit – Washington D. C.

The Auto Suppliers' Perspective: Don't Count Out North America

Federal Reserve Bank of Chicago
New Access to Energy: Midwest and Global
Industry Impacts

April 9, 2013

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OESA Vision and Mission

Vision

OESA is the preeminent network and leading advocate for original equipment suppliers in North America, and serves as a trusted resource to assure a sustainable and viable automotive industry

Mission

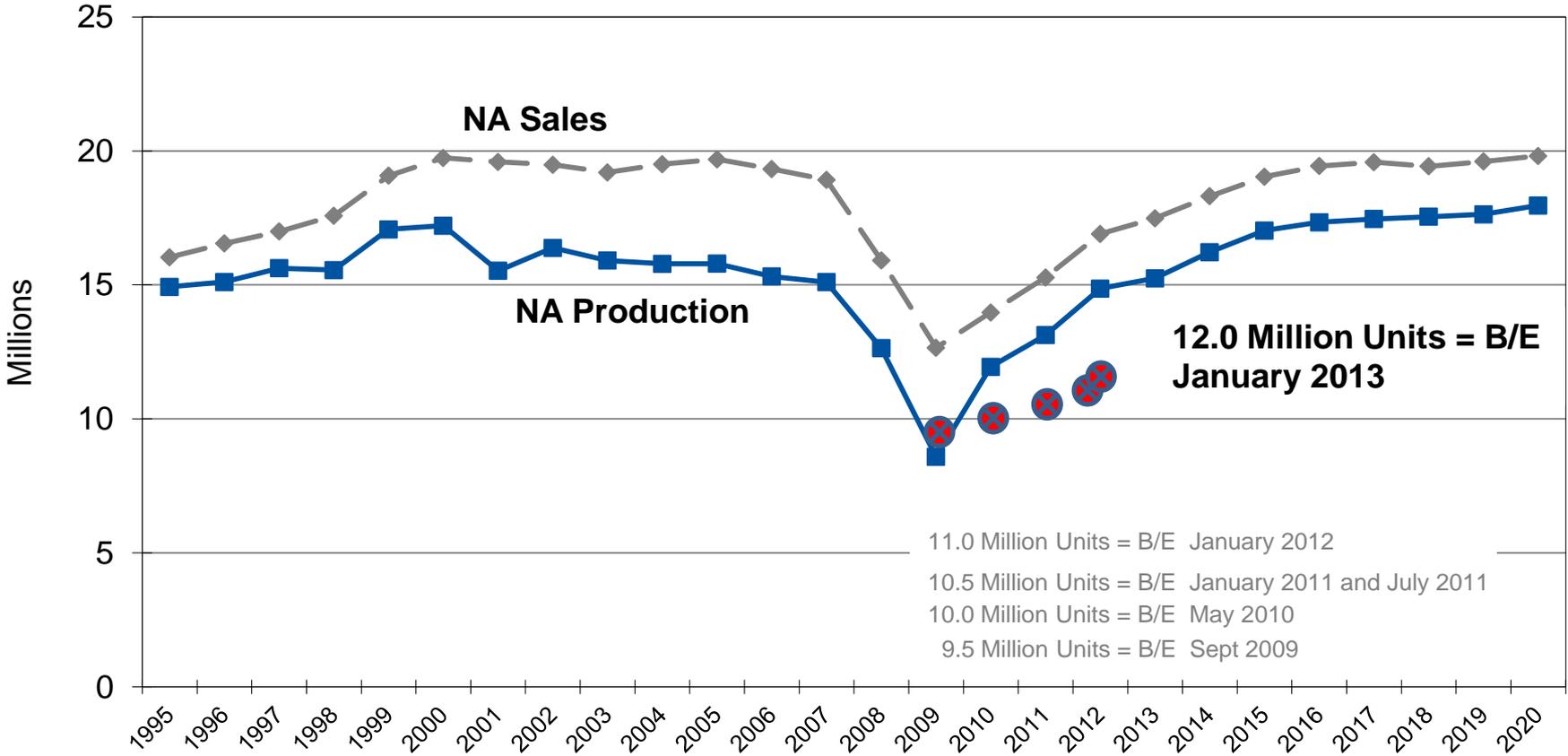
OESA advances the business interests of automotive original equipment suppliers by:

- ✓ ***providing a forum*** to address issues of common interest
- ✓ ***serving as a resource*** for industry information and analysis
- ✓ ***promoting the interests*** of the OE supplier community
- ✓ ***serving as a voice and positive change agent*** for the industry

OESA has over 440 members and is an affiliate of the Motor & Equipment Manufacturers Association

Capacity is Tight: Supplier Break Even Points Can be Tested to a 12 Million Unit Level - Or a 24% Decline from Forecast

North American Light Duty Sales, Production and Breakeven

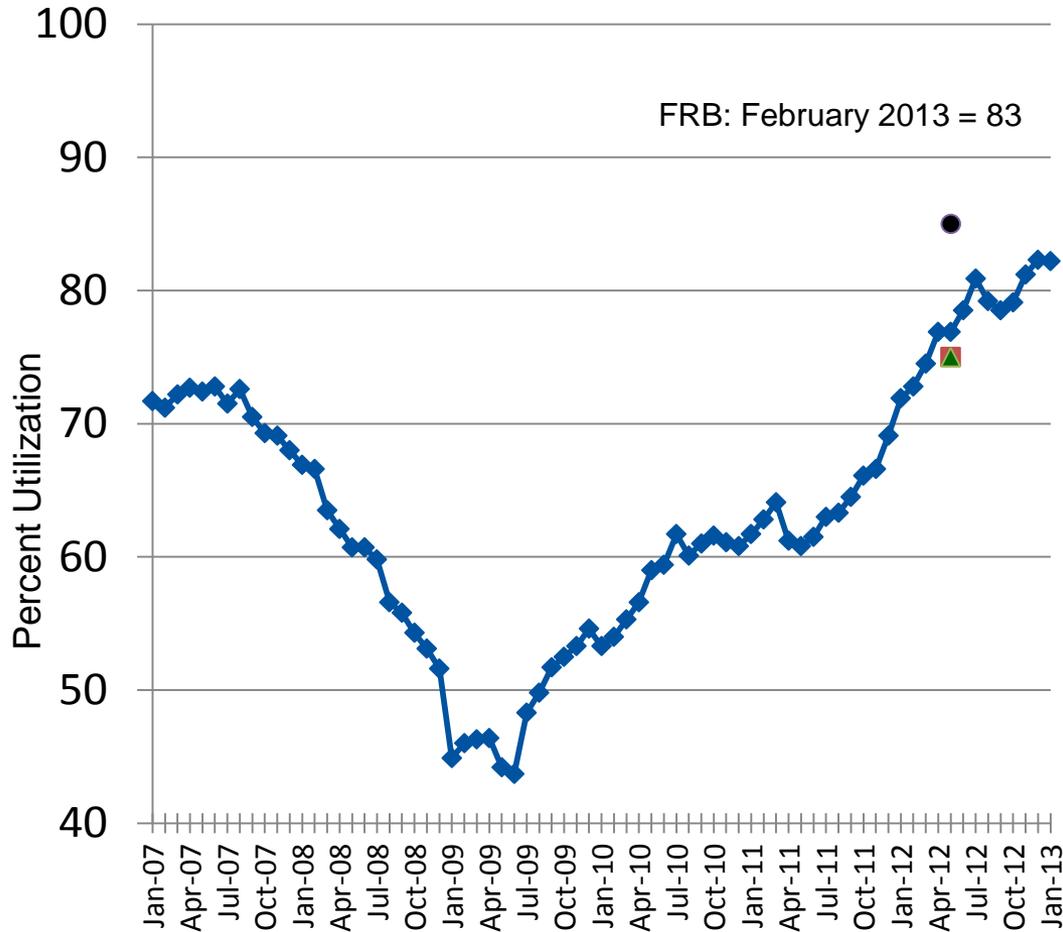


Production will increase by 83 percent between 2009 and 2013(using a 15.7 million projection) while breakeven levels will increase by just 26 percent

Sources: IHS Automotive (June 2012) and January 2013 OESA Automotive Supplier Barometer



The Supply Base Did Take a “Hair Cut” in 2009 and Bottlenecks Exist Throughout the Supply Chain



Capacity Utilization data from the OESA Automotive Supplier Barometer May 2012:

Supplier Current Running Capacity (85%)

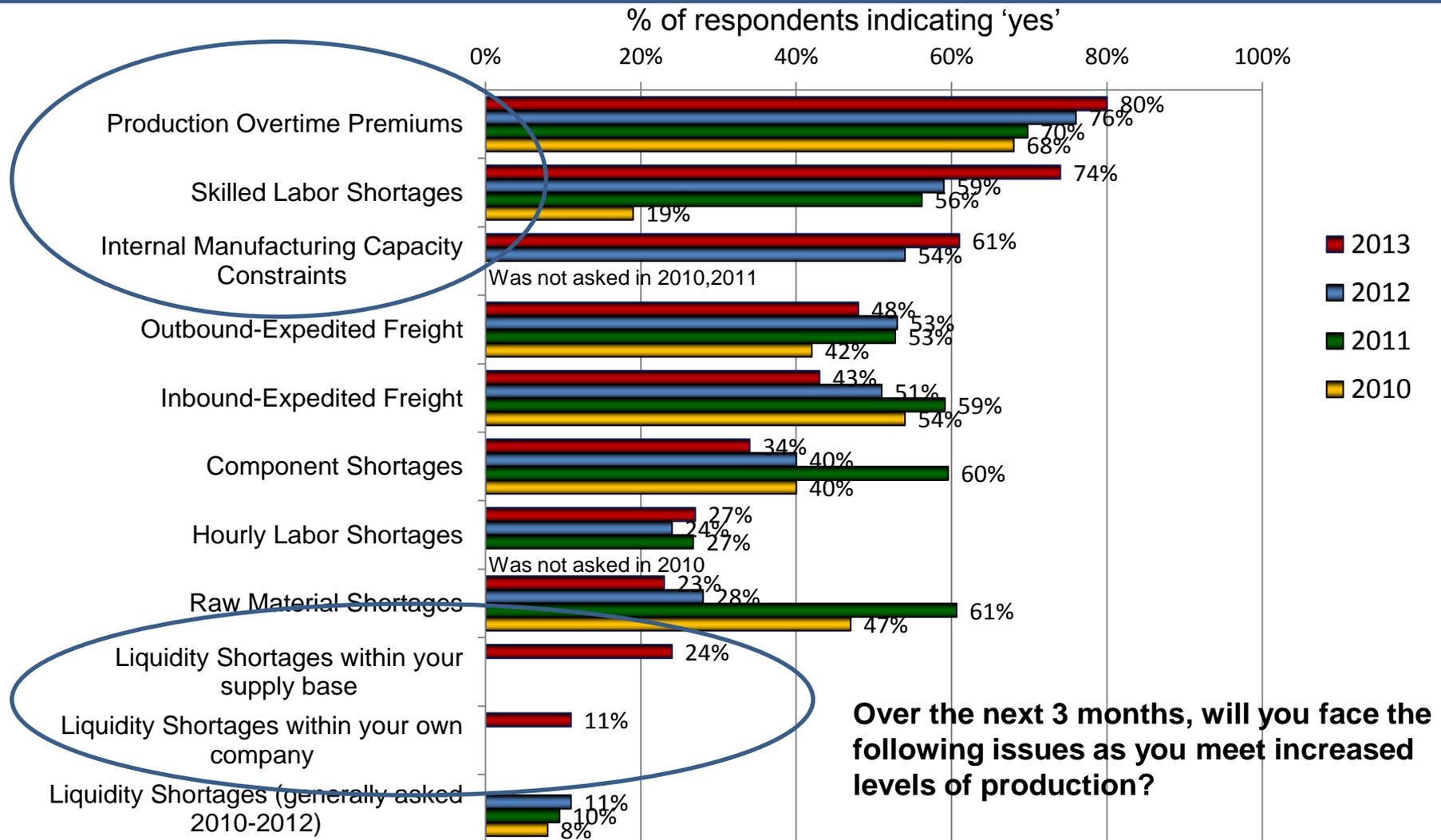
Current + Warm-idled capacity (75%)

Current + Warm + Cold-idled capacity (75%)

- When asked about utilization rates, the upper quartile of companies are running at 85%; 89% including their warm and cold-idled capacity– and this is at a 14.5 million unit level

- The lower quartile companies are operating at 75%

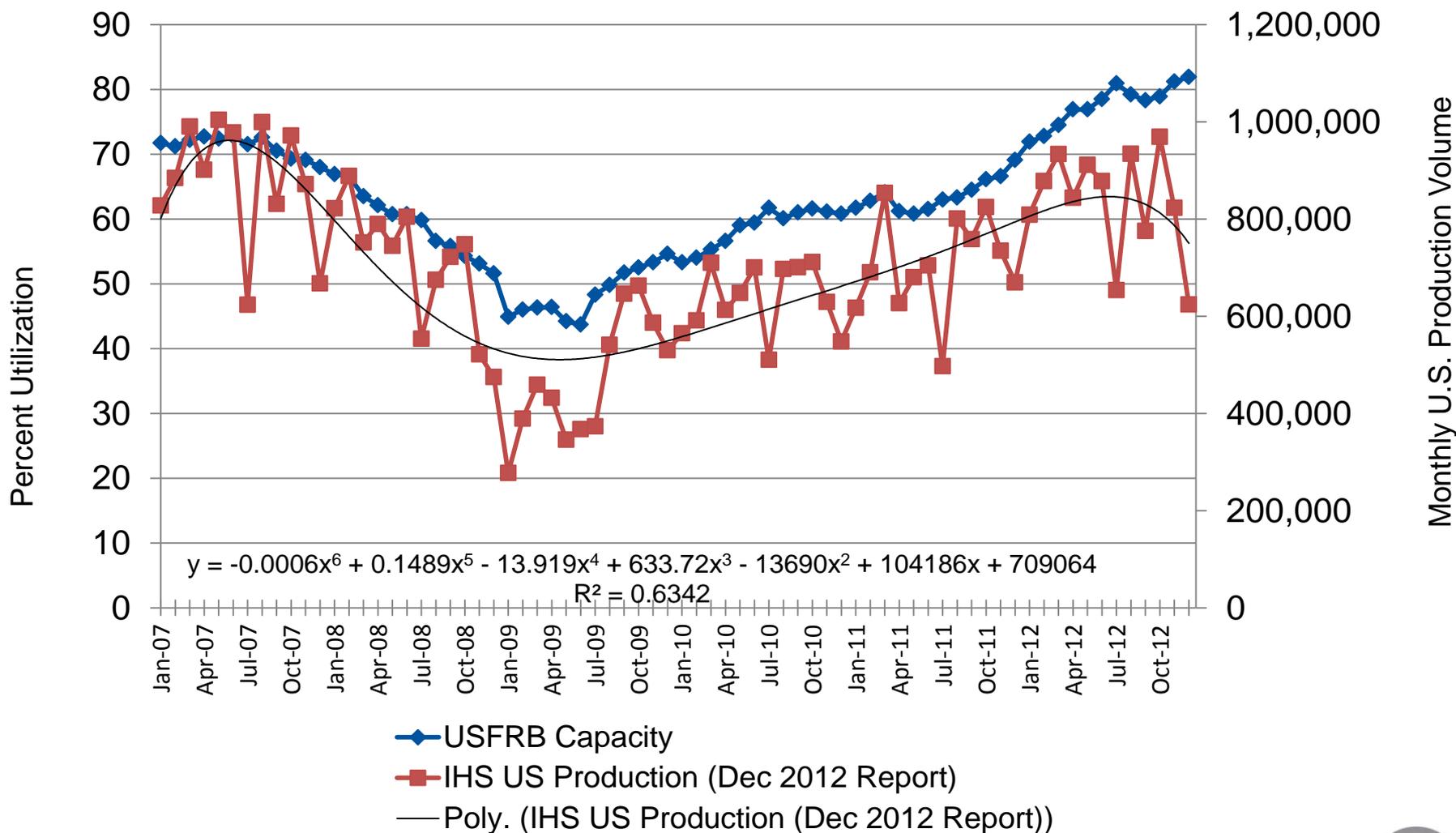
The Supply Base will Meet 2013 Production of 15.9 Million Units; For Suppliers, It Is All About: “How Do We Get There?”



OESA January 2013 Automotive Supplier Barometer No. of Responses = 99-103



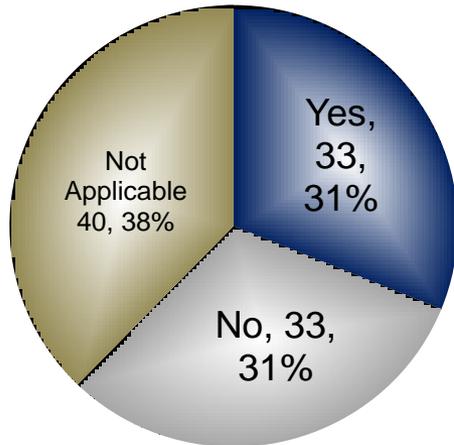
Capacity Increases Have Been Keeping Pace With – Not Accelerating Ahead – Of the US Production Trend



Sources: U. S. Federal Reserve Board of Governors, IHS Automotive



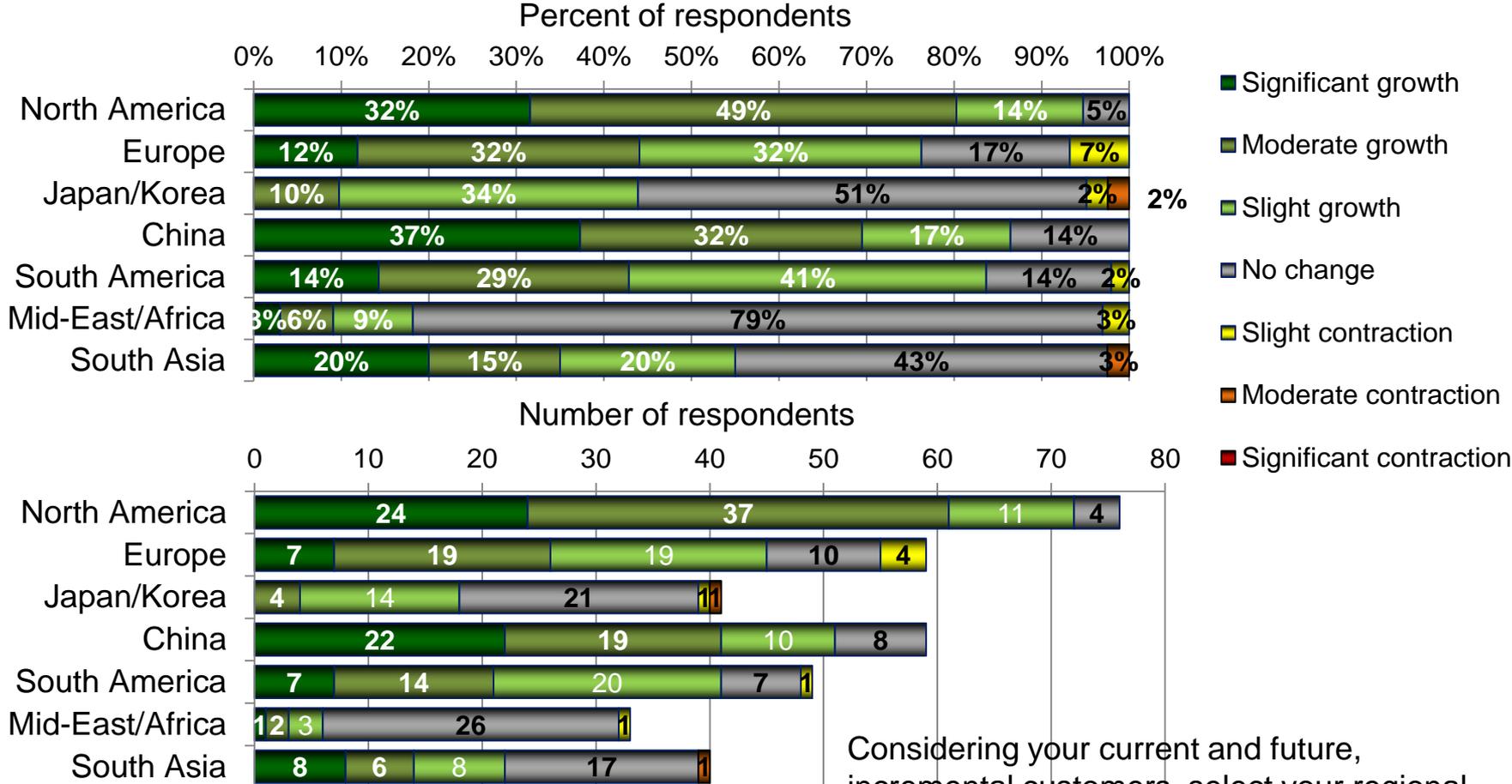
Auto Is Global – And While NA Is Strong, For One-Third of OESA Members European Sales Have Fallen Faster Than NA Has Increased



If yes, what actions are you taking in North America to respond?

- “Further fixed cost optimization while adding resources carefully to our NA expanding business.”
- “Focus on VA/VE, continue to operate with lean organization.”
- “Expand business with European OEM in NAFTA region.”
- “Maximize productivity, resist price downs from OEMs.”
- “Re-allocate investment to NA, especially Mexico.”
- “Reduce structural fixed costs during Q4 of 2012 to lower global break even point.”
- “We are tempering our fixed cost increases in North America versus what we would normally be doing to address our growth here. We need to find offsets for the situation in Europe.”
- “Sourcing more from Europe.”

NA Ranks Top With China Regarding Anticipated Revenue Growth Out Through 2020



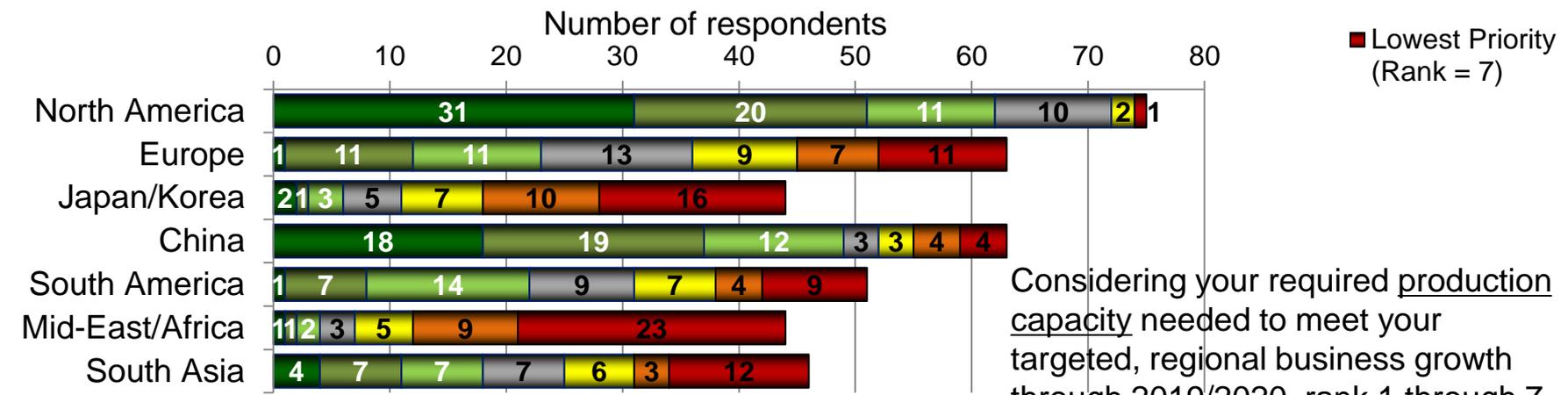
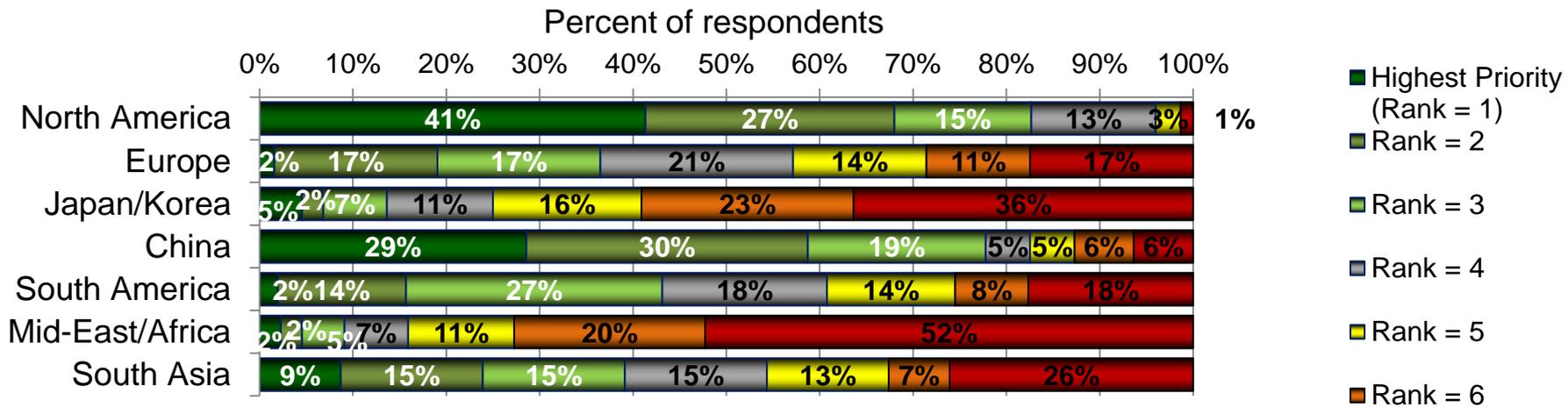
Comments

- Europe - shift from W Europe to E Europe.
- Facility plans for Europe and AsiaPacific.
- Significant growth is based on a very small base.

Considering your current and future, incremental customers, select your regional incremental growth/contraction relative to revenue through 2019/2020.



Through 2020, NA Remains A High Priority for Production Capacity Growth



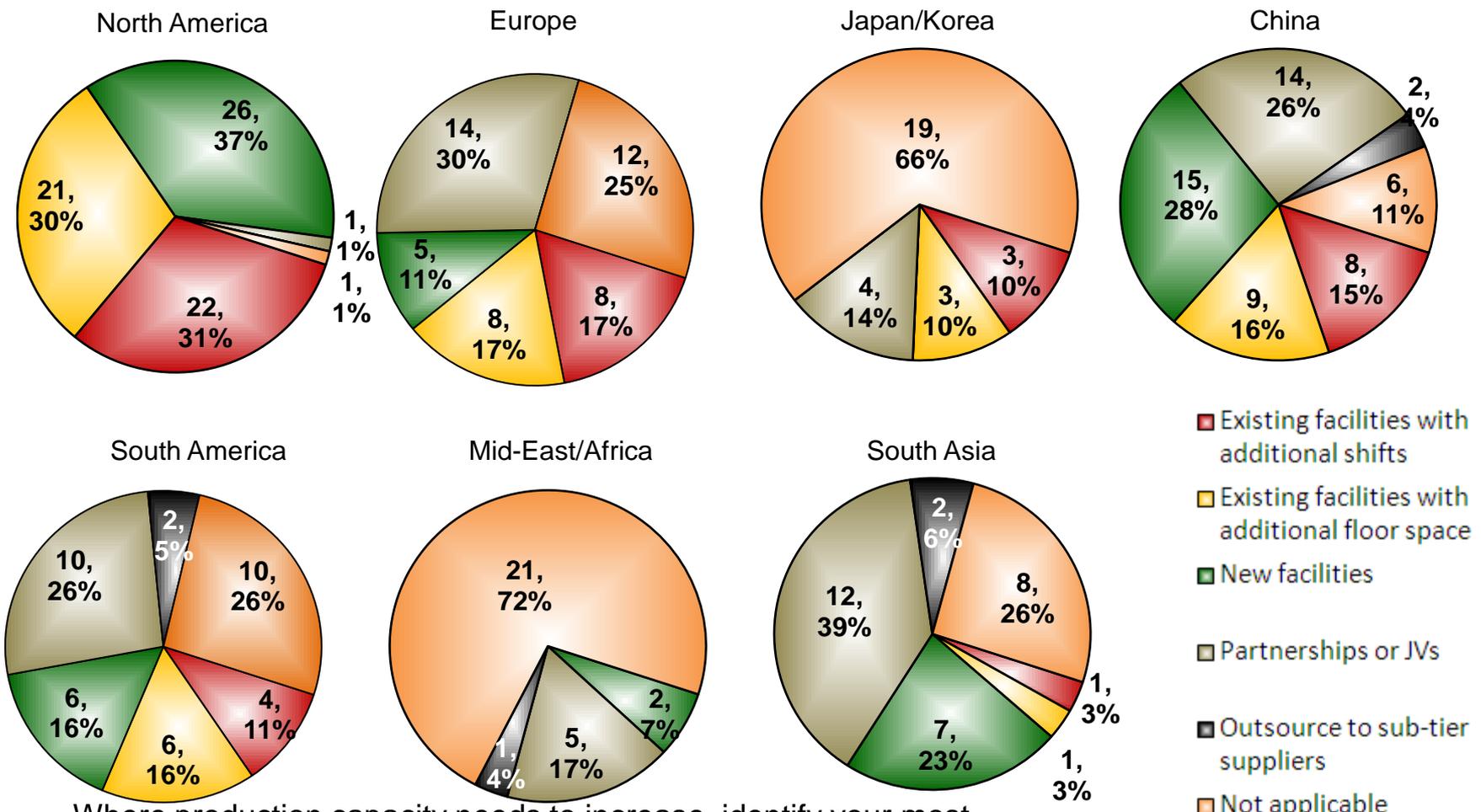
Considering your required production capacity needed to meet your targeted, regional business growth through 2019/2020, rank 1 through 7 the regions where you will need to expand capacity.

Comments

- Japan/Korea - Actually Korea, not Japan Europe - outside of Germany

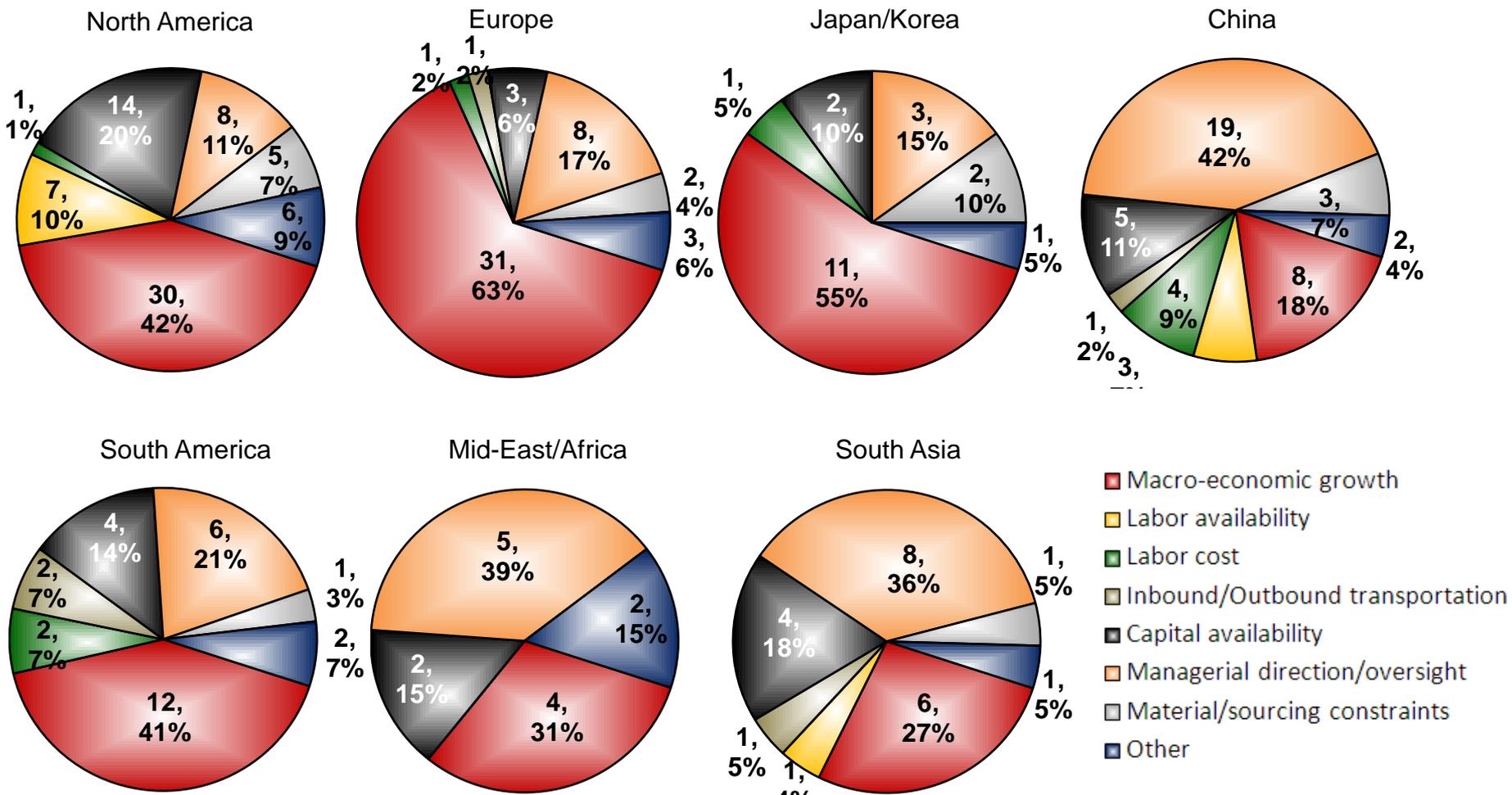


Flexing Up with Additional Shifts and Expansion of Existing Manufacturing Footprints Are the Suppliers' Focus



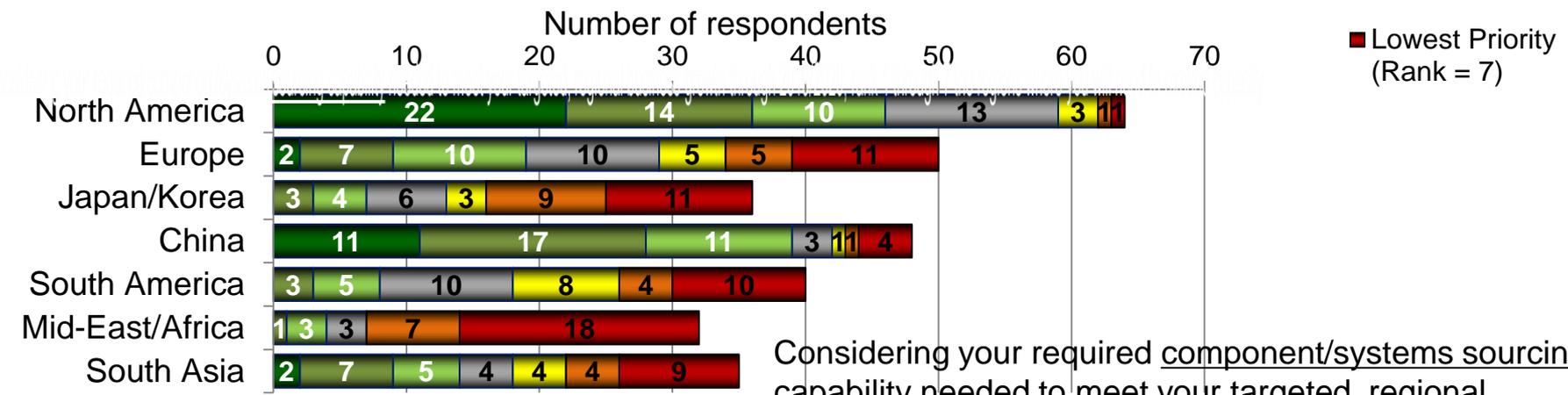
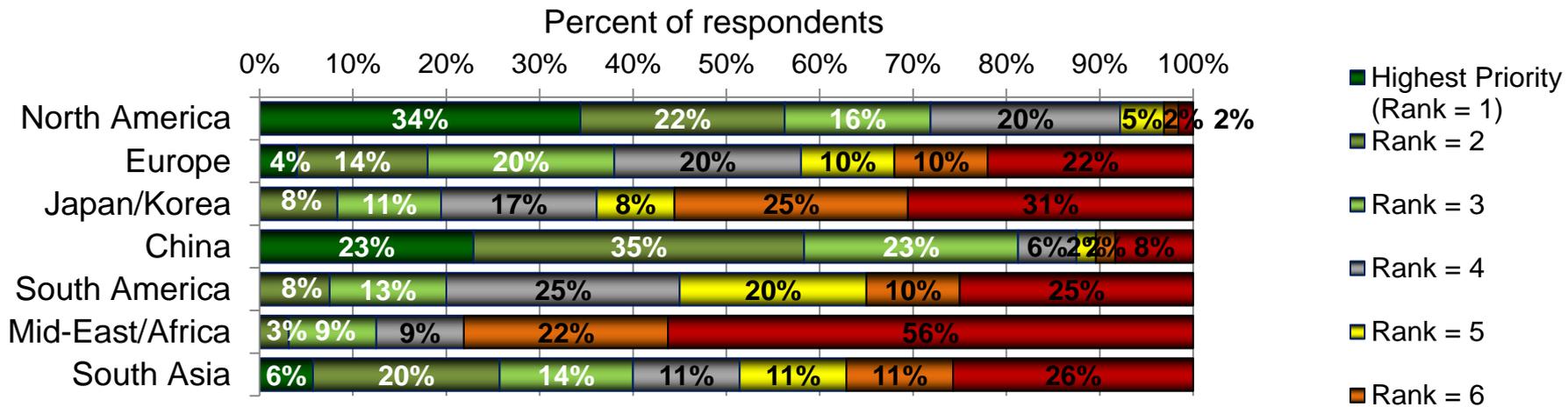
Where production capacity needs to increase, identify your most significant strategy to increase production within each region.

Reduce Macro-Economic Growth and Capital Availability Risk and NA Has Fewer Critical Expansion Hurdles Than Other Regions



Select the most critical hurdle in meeting your 2019/2020 growth strategies within each region.

And NA Has the Same Top Priority for Supply Chain Capability Expansion

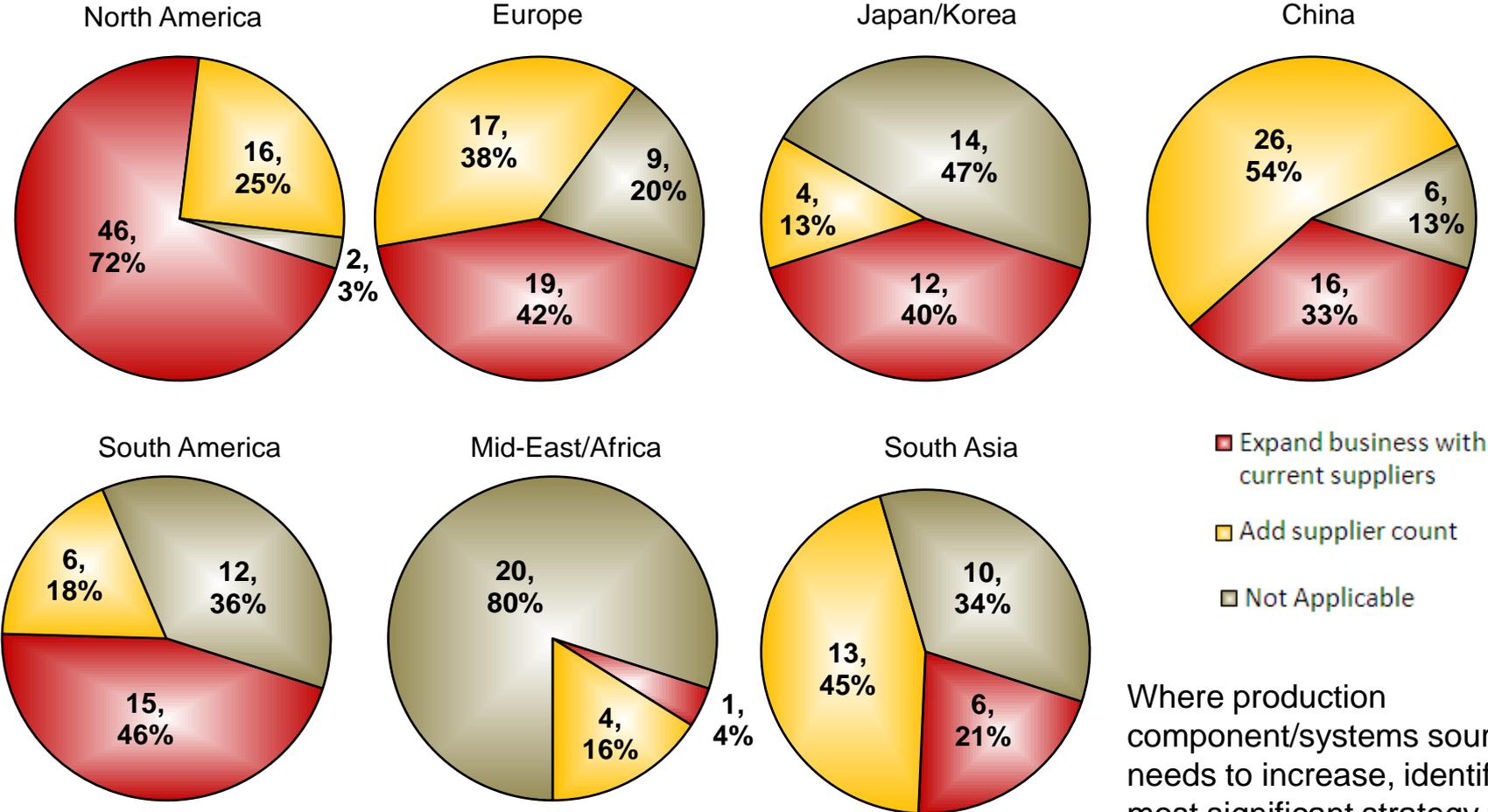


Considering your required component/systems sourcing capability needed to meet your targeted, regional business growth through 2019/2020, rank 1 through 7 the regions where you will need to expand capacity.

Comments
➤ None provided.



For NA, Supply Base Expansion Will Be More with the Same

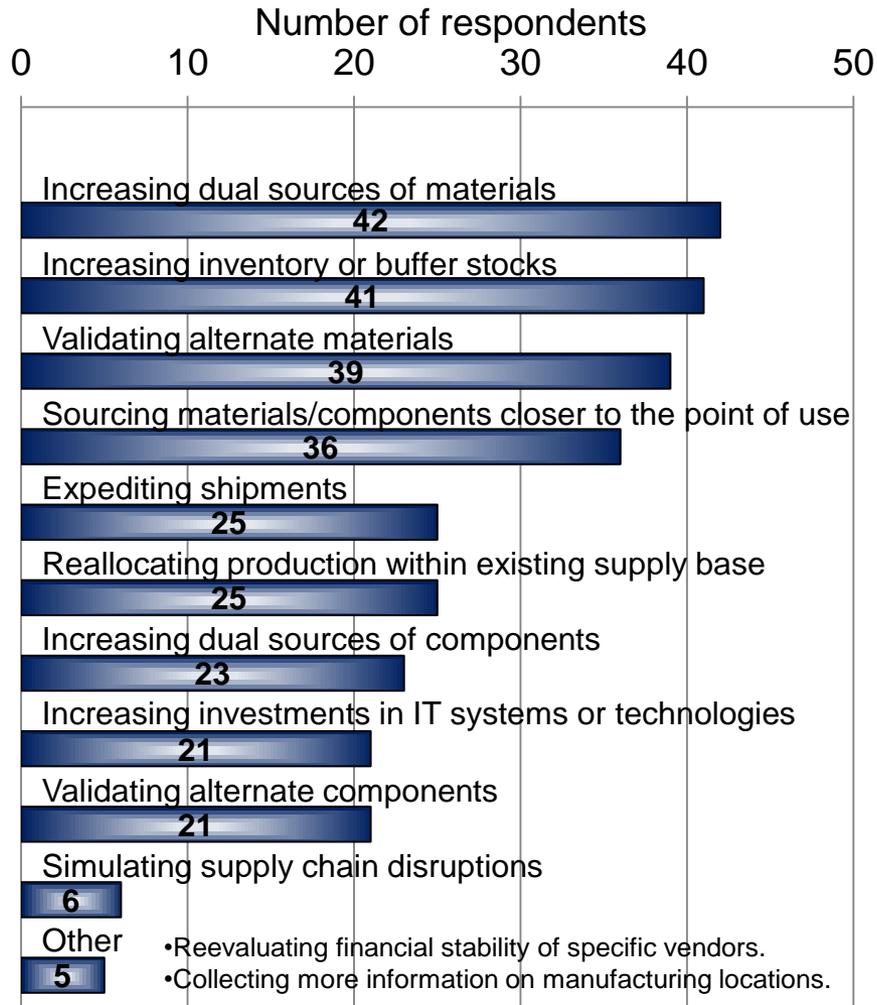


Where production component/systems sourcing needs to increase, identify your most significant strategy to increase your supply chain within each region.



The Supply Base is Pursuing Many Strategies to be Resilient through Crises and Global Expansion

What actions and strategies are being taken within your company to mitigate supply chain risk?



- Regional supply bases are growing to support the OEMs global footprints
- Regional supply bases are growing to reduce supply chain risk
- As such, suppliers are looking to dual source, validate dual materials and increase buffer stocks around the globe
- However, suppliers are cognizant not to add redundant costs and look at the cost/benefit of every additional dollar of physical or working capital

Thank You

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