

A photograph of a blue sedan car on a stage. A man in a dark suit stands to the left of the car, and a woman in a blue dress stands to the right. The car has a license plate that reads "中华骏捷FSV". The background features a large screen and decorative elements.

The Auto Industry's Evolving Landscape

January 10, 2010
SAA Outlook Conference, Detroit

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CASESA SHAPIRO GROUP

About Casesa Shapiro Group



- New York-based advisory firm specializing in the global auto industry
- Retained by corporations, investors and governments
- Scope is entire value chain from vehicle manufacturers to downstream
- Offer strategic and financial advice to assist clients in creating value
- Managing Partner of Casesa Shapiro Group
- Formerly head of global automotive research at Merrill Lynch & Co.
- Managing Director of investment bank Schroder Wertheim & Co.
- Prior, GM Marketing & Product Planning Staff

Senior Advisors at Casesa Shapiro Group



Dennis C. Cuneo

formerly senior vice president of Toyota Motor North America



Glenn A. Mercer

formerly Partner and Senior Practice Expert for Automotive of McKinsey



Maryann N. Keller

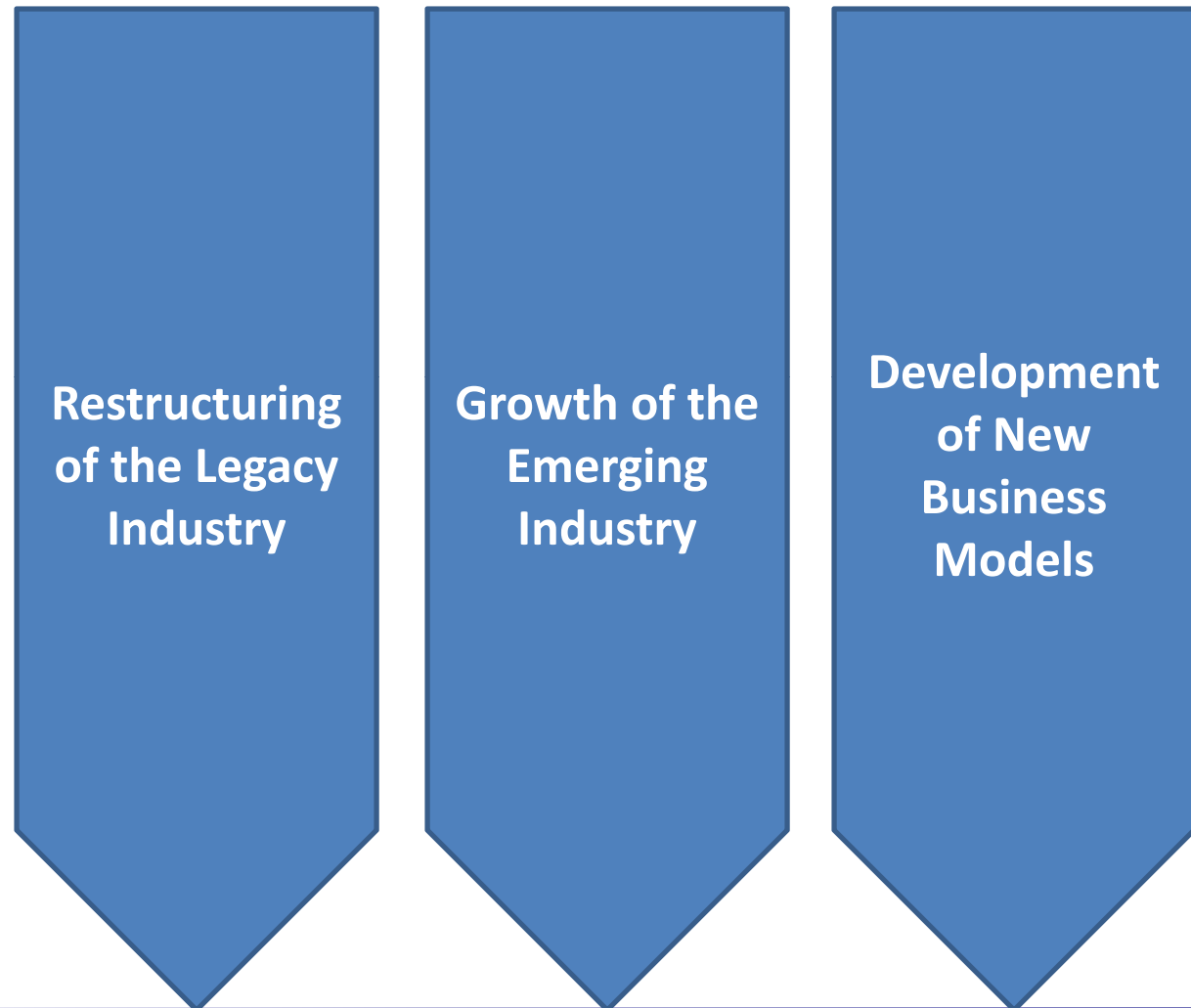
formerly president of Priceline's Auto Services division and leading auto analyst



Daniel A. Ninivaggi

formerly executive vice president of Lear and partner of Winston & Strawn

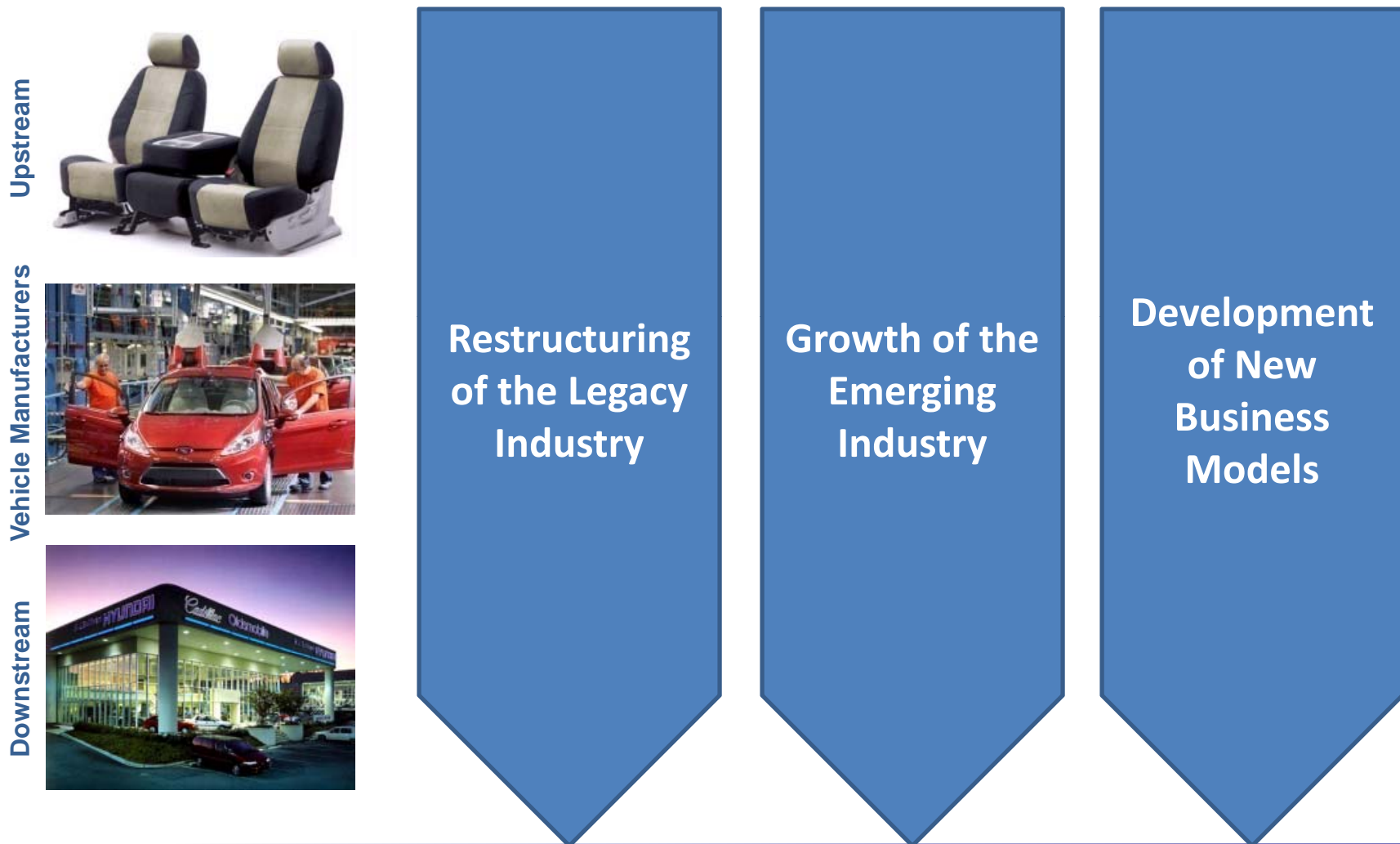
Three Trends Reshaping the Auto Industry's Landscape



Source: Casesa Shapiro Group

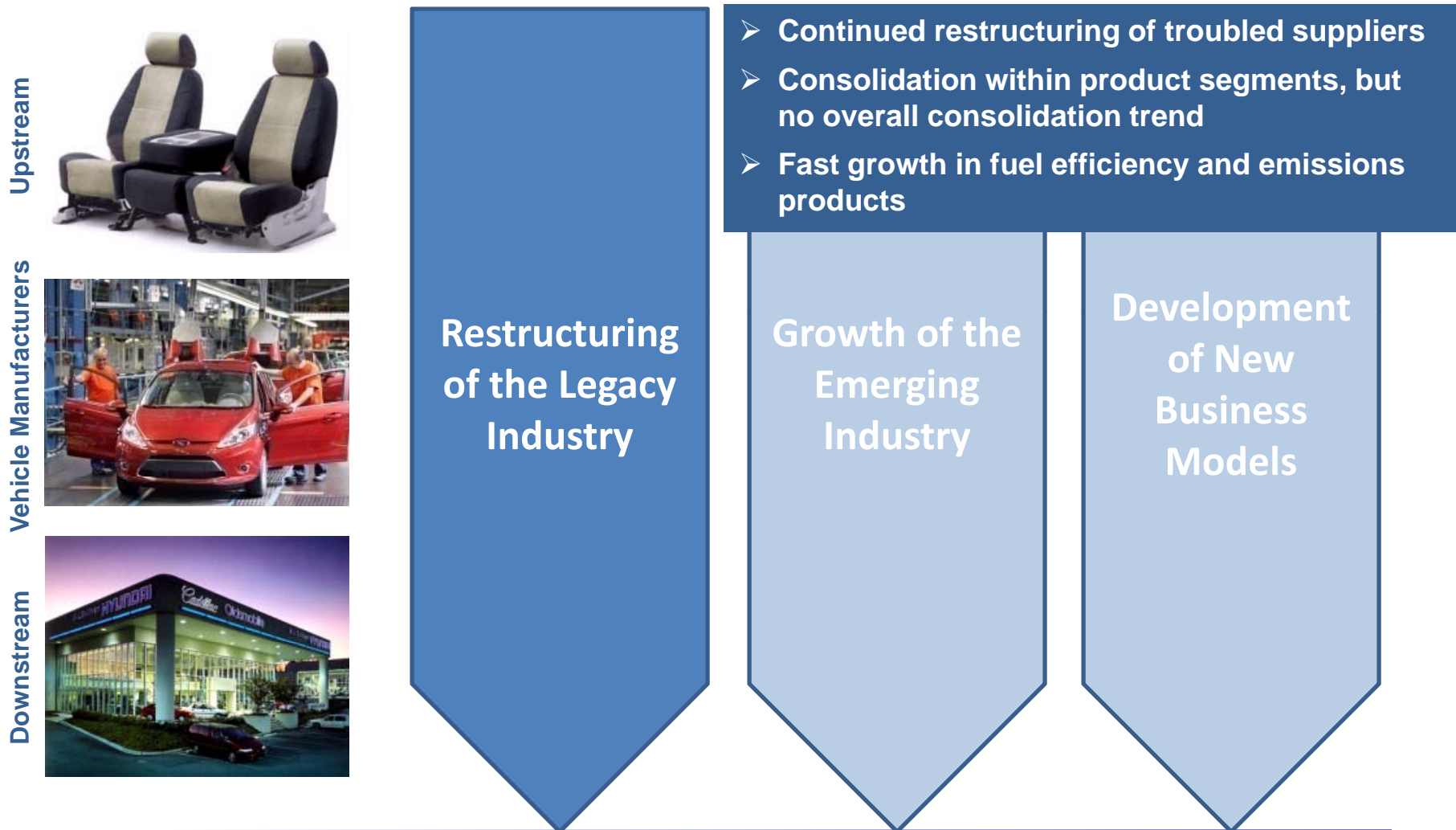
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Three Trends Reshaping the Auto Industry's Landscape



Source: Casesa Shapiro Group

Restructuring of the Legacy Auto Industry



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Restructuring of the Legacy Auto Industry

Upstream



Vehicle Manufacturers



Downstream



- Continued restructuring of troubled suppliers
- Consolidation within product segments, but no overall consolidation trend
- Fast growth in fuel efficiency and emissions products

- Government intervention mitigating improvement in industry economics
- Streamlining of business models
- Consolidation, JVs among regional VMs

Source: Casesa Shapiro Group

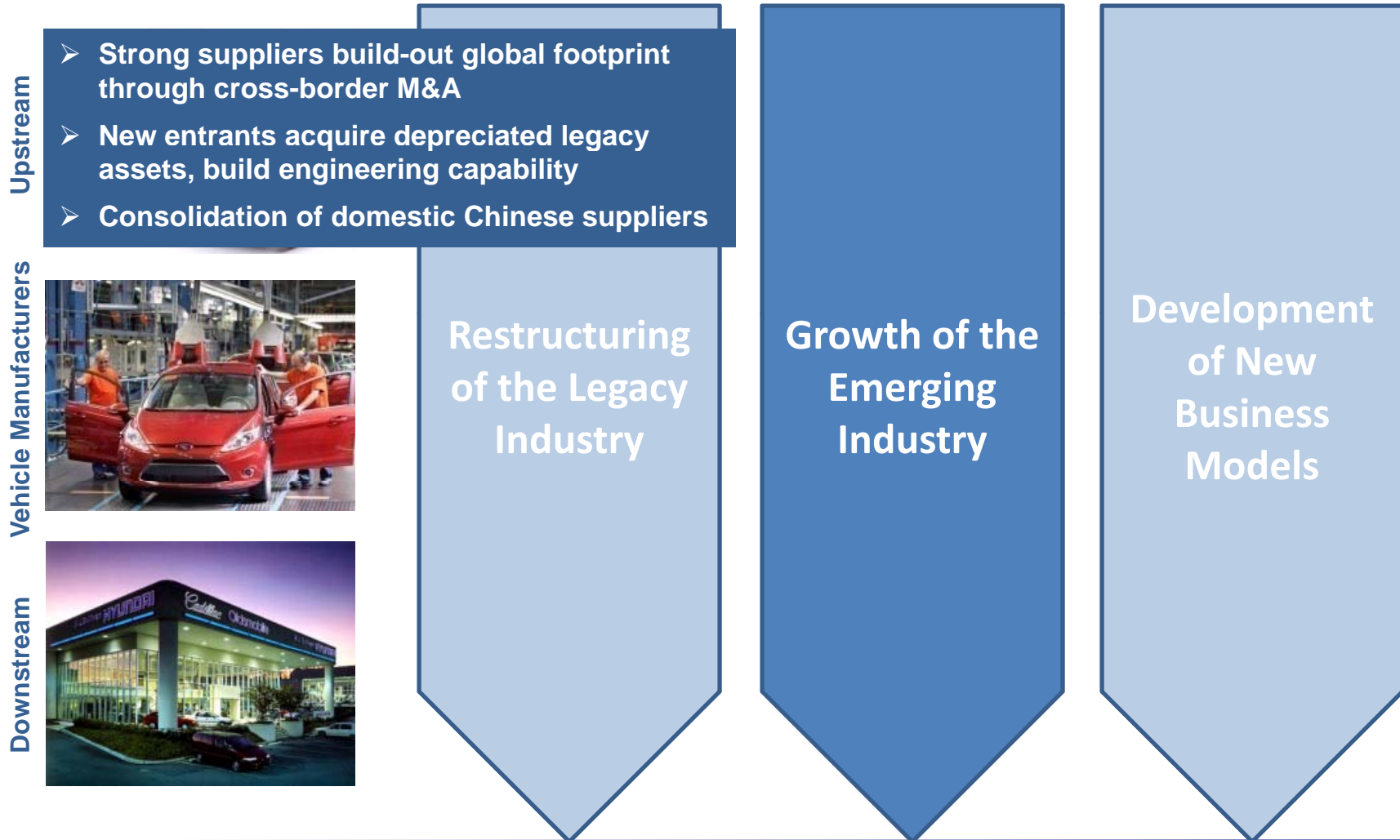
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Restructuring of the Legacy Auto Industry



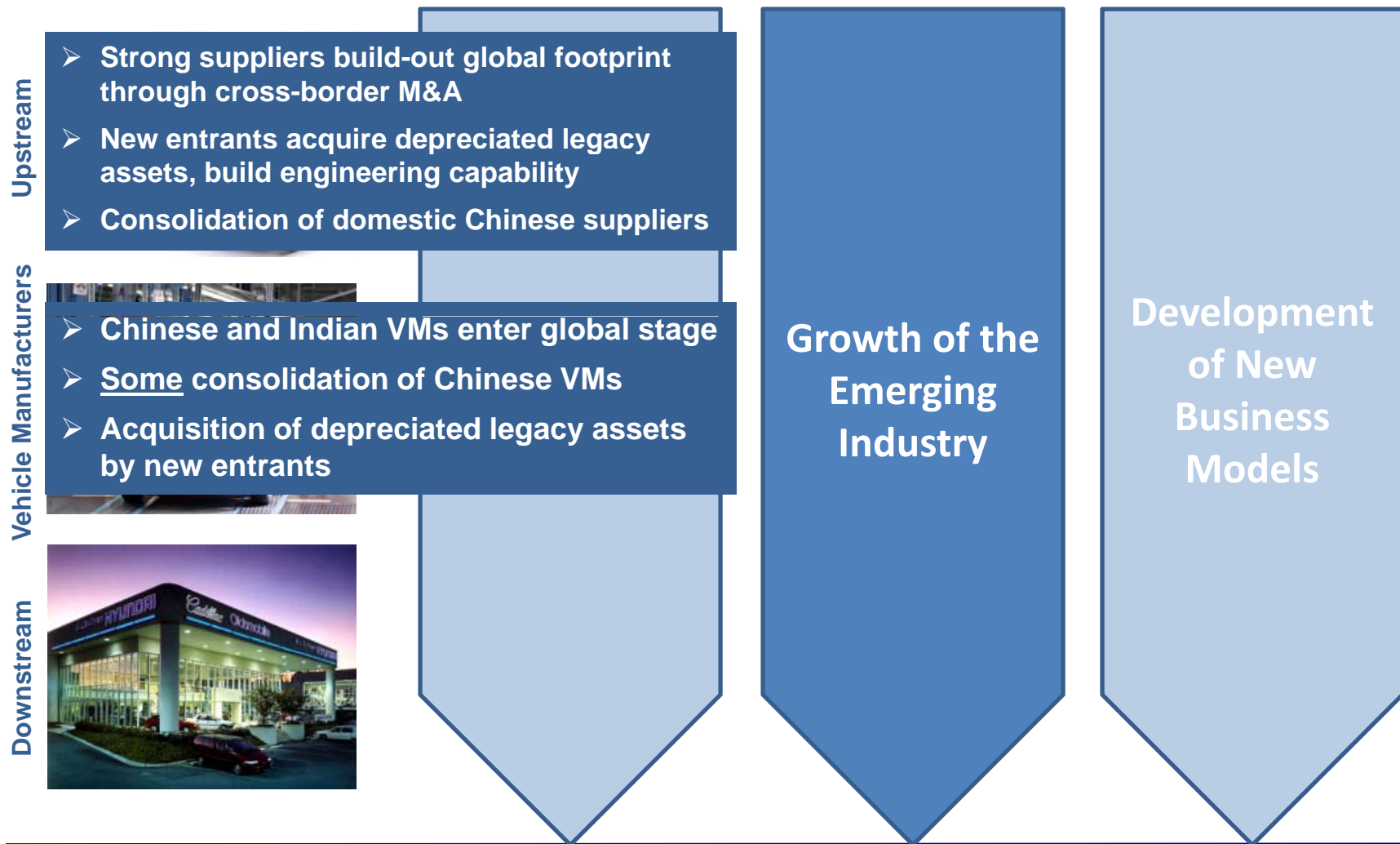
Source: Casesa Shapiro Group

Growth of the Emerging Auto Industry



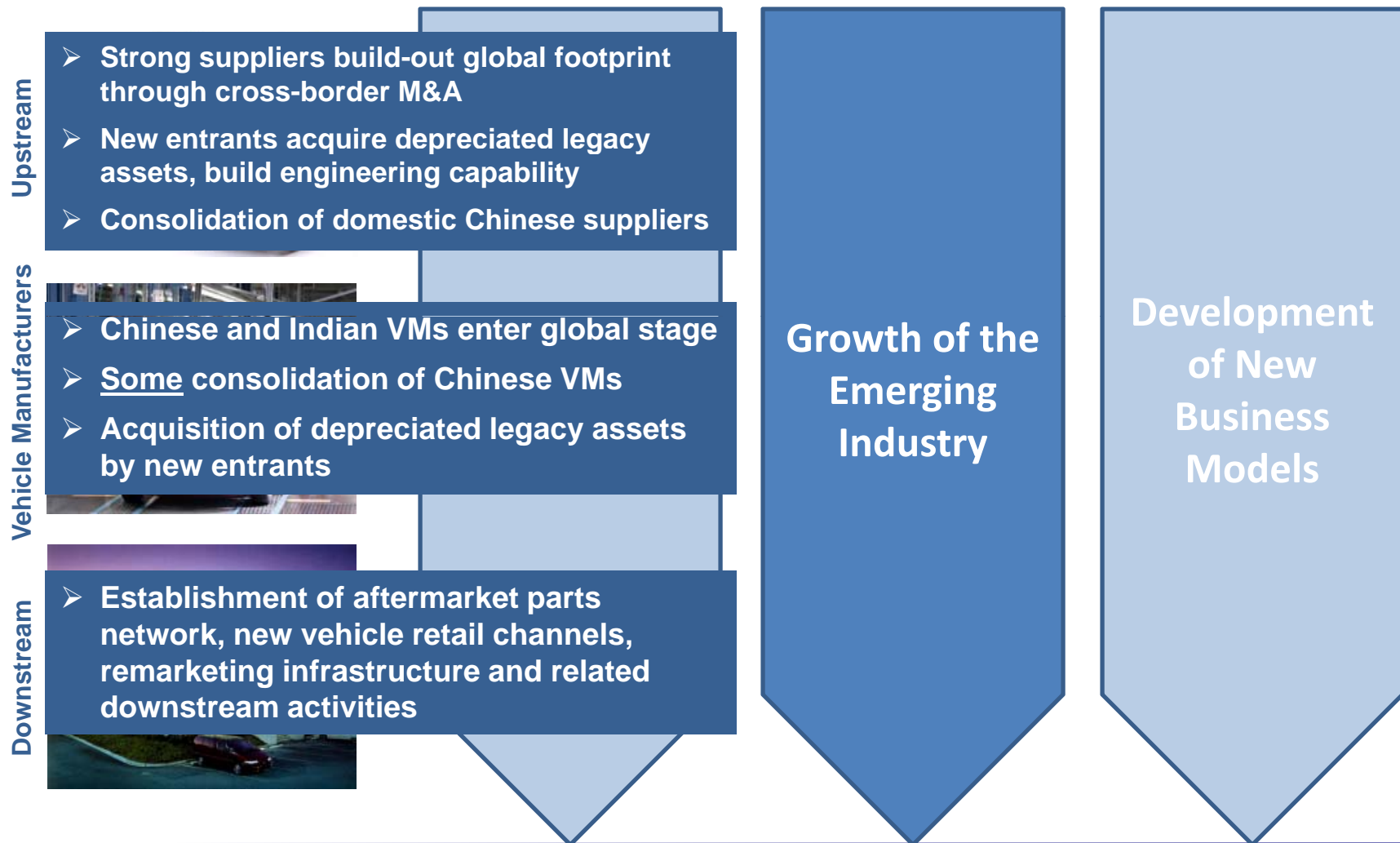
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Growth of the Emerging Auto Industry



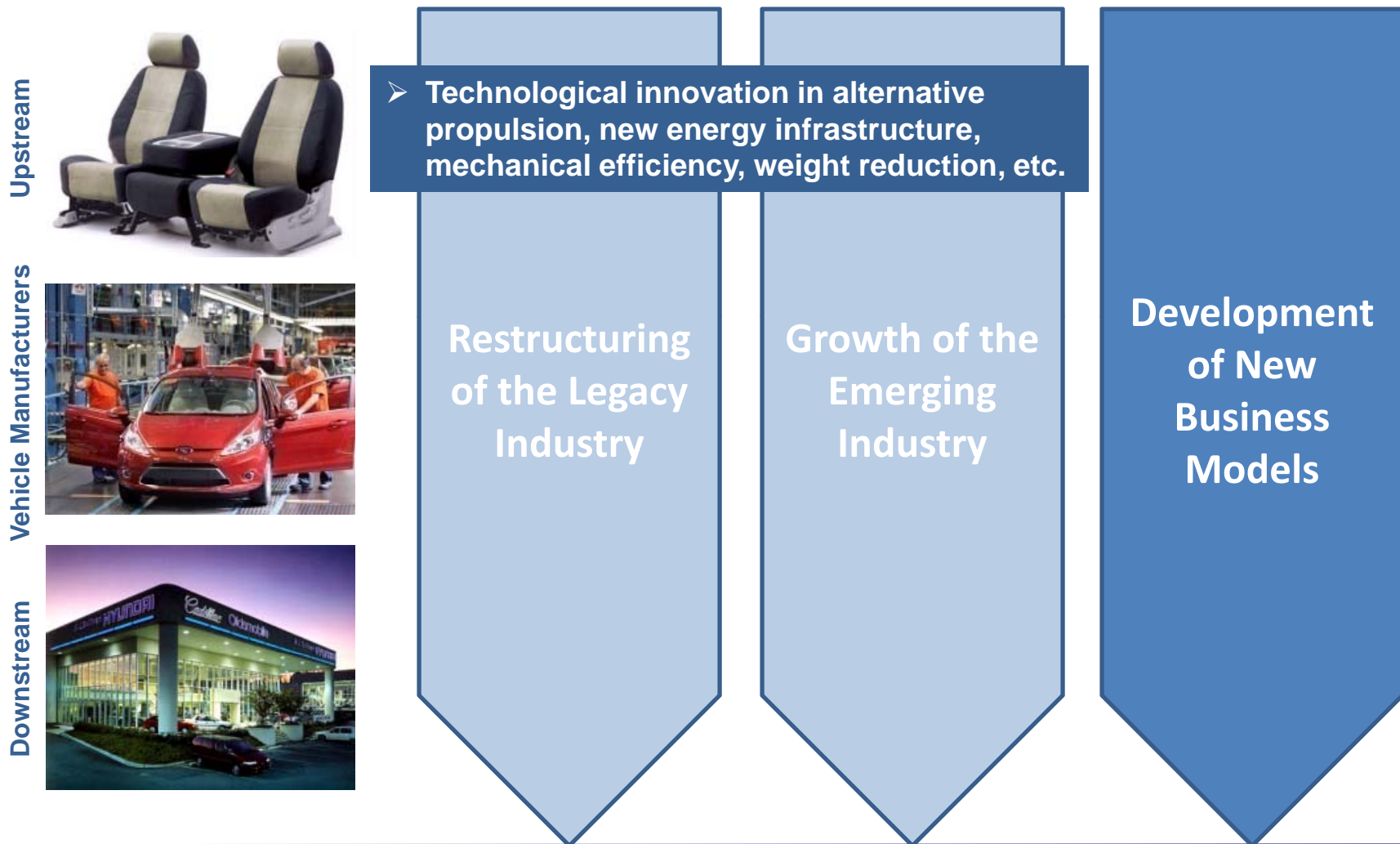
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Growth of the Emerging Auto Industry



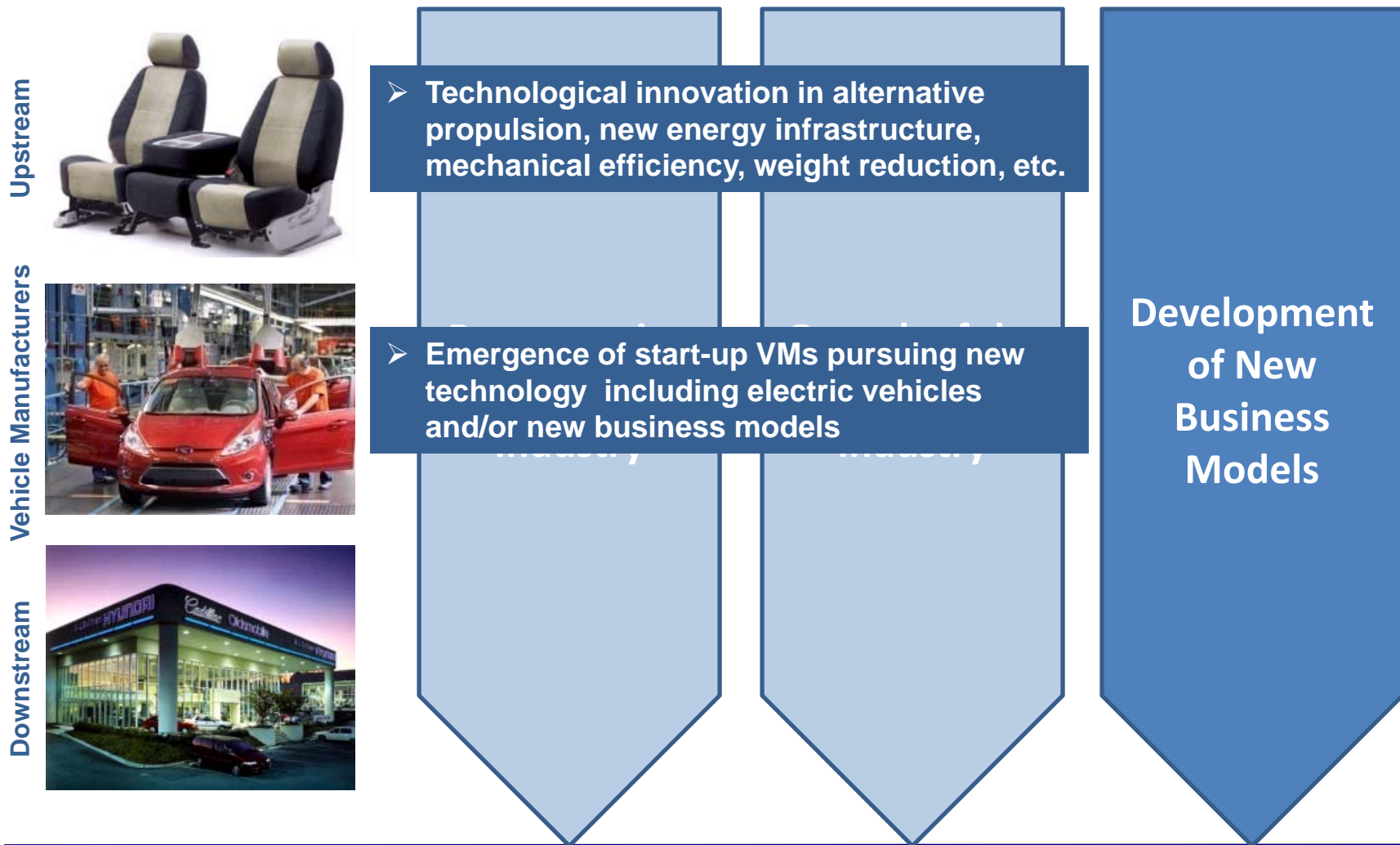
Source: Casesa Shapiro Group

New Business Models



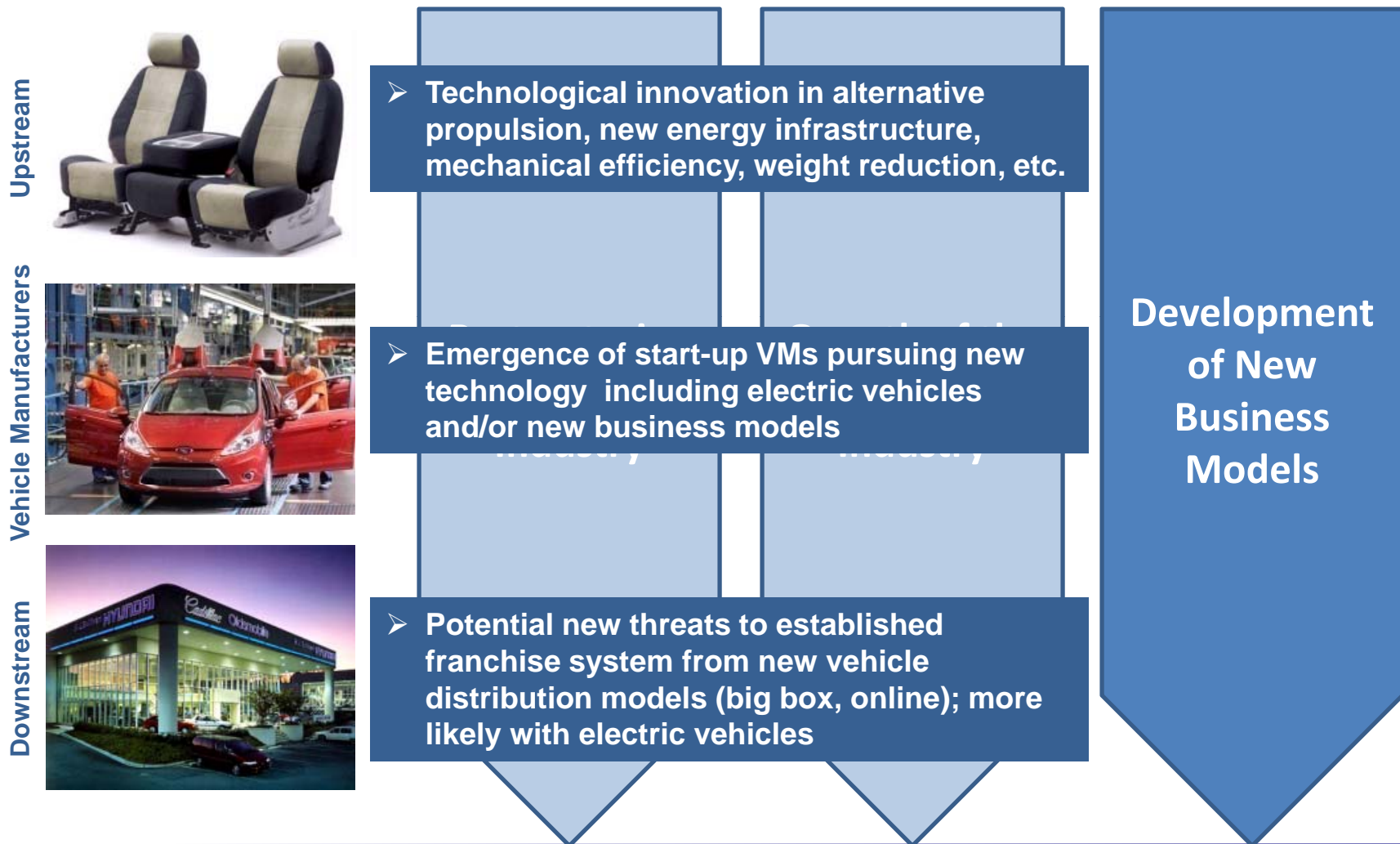
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New Business Models

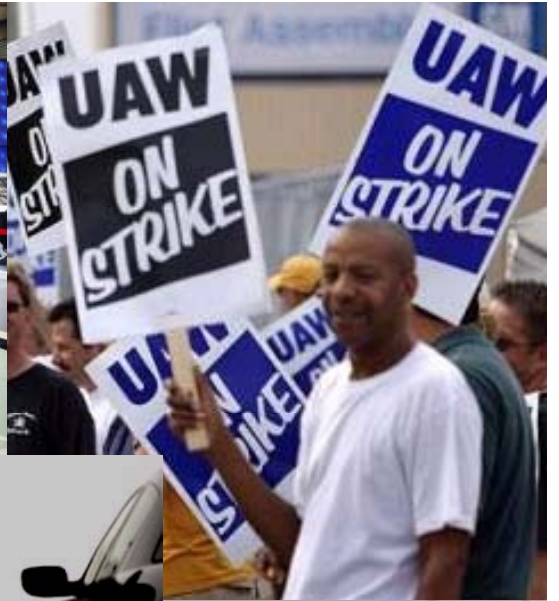


Source: Casesa Shapiro Group

New Business Models



Source: Casesa Shapiro Group





We are in an era of massive structural change!



Implications for Decision Makers



- Industry landscape shifting rapidly from static and simple to dynamic and complex
- Sharp profit rebound probable with recovery as radical cost-cutting greatly reduced breakevens
- Simple consolidation are arguments suspect: expect continued churn as legacy companies combine and new entrants emerge
- Potential disruptions – for example, the electric car - are impossible to predict and thus demand a flexible business model
- Longer-term, legacy industry returns likely remain compressed - government intervention a reminder that auto business is quasi-private
- Globalization is an imperative to (1) participate in profit opportunity and (2) defend against new entrants

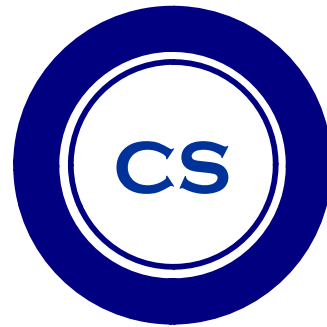
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- Big restructuring wave is over, but financial restructuring will remain a permanent feature of landscape as companies must adjust continuously to new industry dynamics
- Continued balance sheet repair essential as economic crisis underscored the necessity of a conservative capital structure for a deeply cyclical and capital-intensive industry
- Financing window has reopened near-term, but capital generally scarce and expensive for auto
- Valuations will remain low given investor wipe-out and government intervention
- Distress-related M&A could present attractive opportunities for strong incumbents, new entrants and to lesser extent, financial investors
- Cross-border M&A an increasingly important growth strategy – can't be a domestic auto company in auto anymore



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