

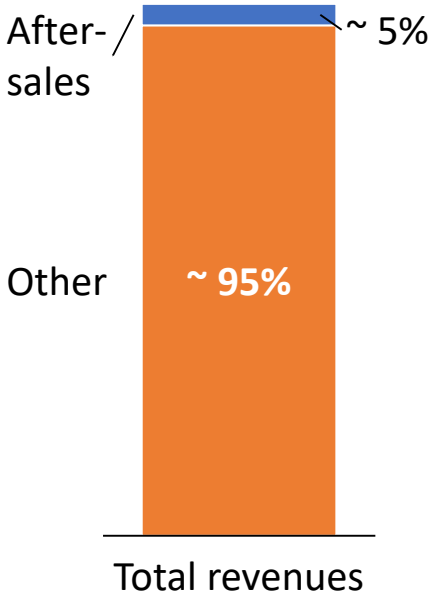
Geng Wu  
Associate Partner  
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Organizatör Kuruluşlar / Powered By

# Aftersales is typically a high margin business which contributes a significant percentage of OEM profits

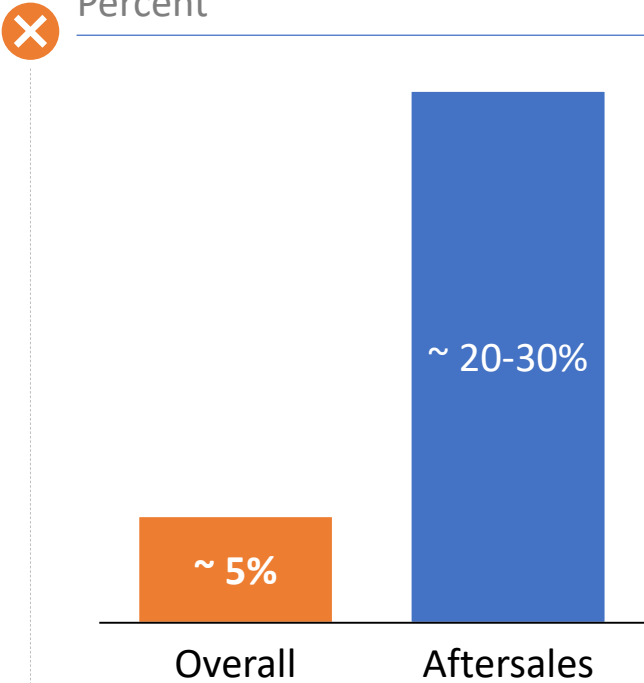
## Revenues

Percent of Total Revenues



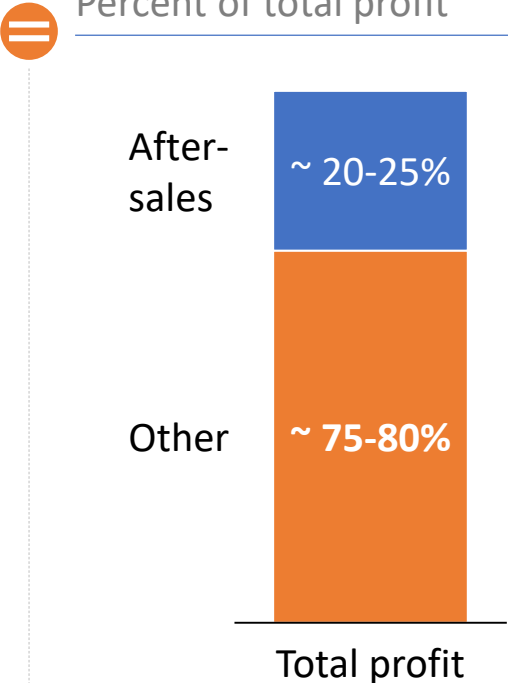
## Profit margin

Percent



## Profit

Percent of total profit



After-sales profit share can even be higher in times of economic downturn

While the aftersales business of an OEM typically accounts for only **5% or less of revenues**, the high **after sales profit margin of ~ 20-30%** still yields a significant profit contribution of **up to a fourth of the total profits**



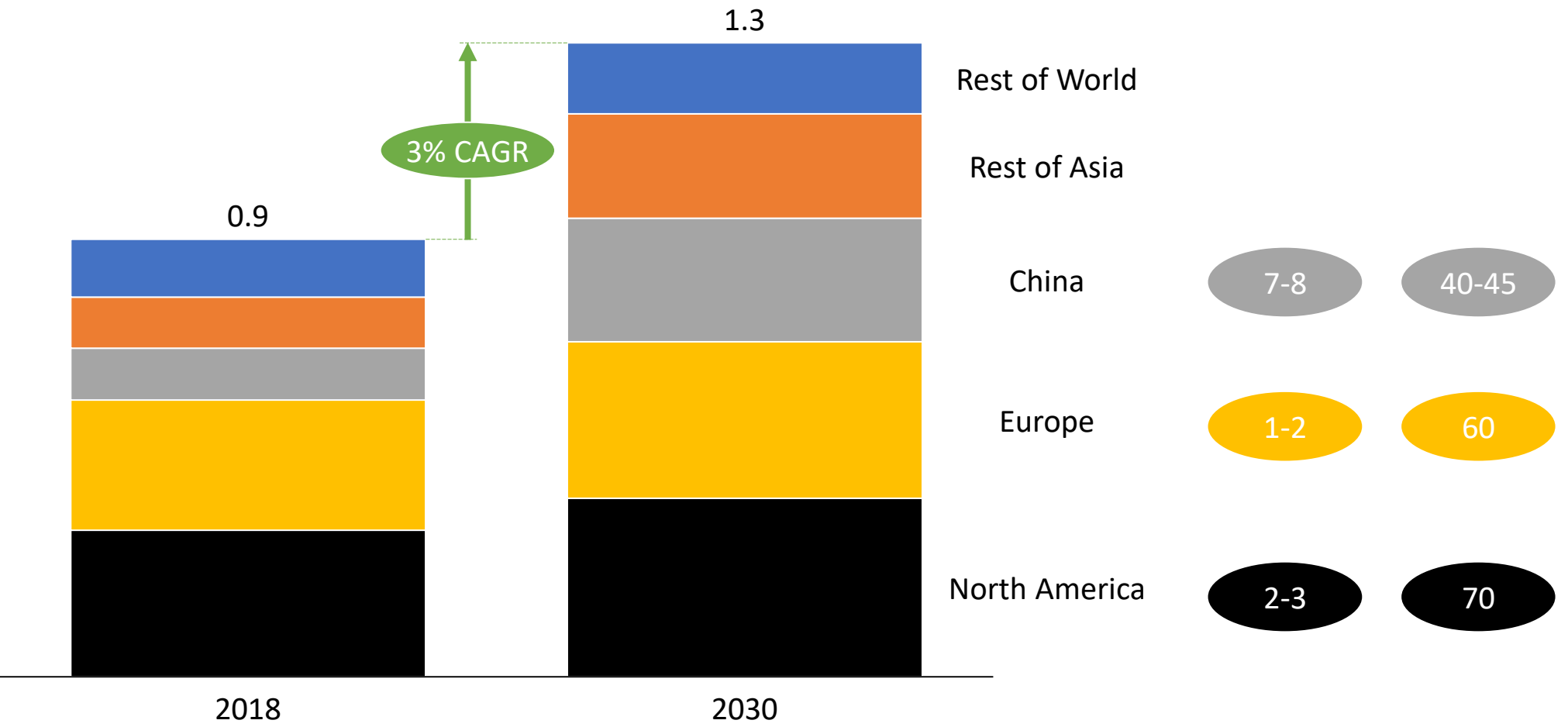
# Europe and North America will remain the largest aftermarkets, while China drives growth



Global auto aftermarket size<sup>1</sup>, \$ trillion

CAGR, %

IAM, %

















<sup>1</sup> Inflation-adjusted, including all services, parts, and tires  
 SOURCE: McKinsey Automotive Practice, Auto 2030 Team, Wolk, Auto Care Factbook

# Disruptive trends are rapidly changing how the aftermarket operates

## Auto aftermarket trends

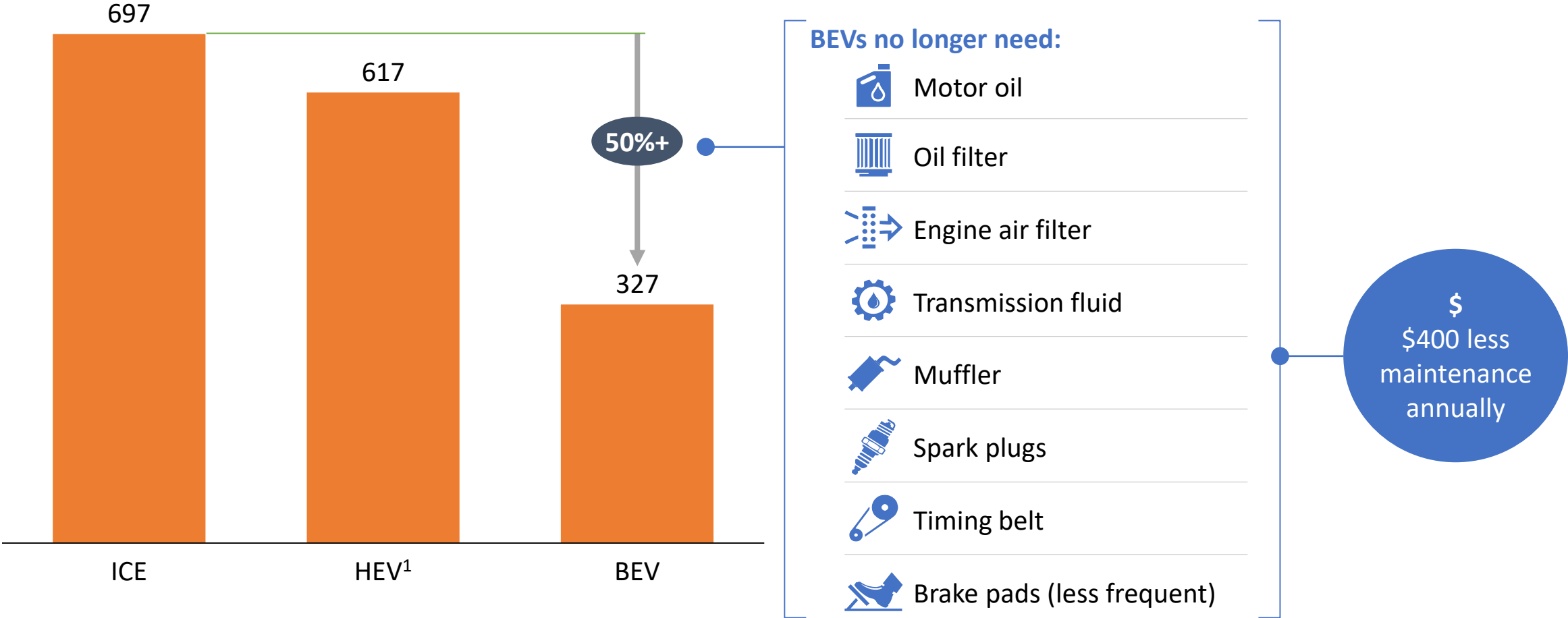
Details follow

Impact	Disruptive	 <b>Electrification</b>  <b>Connectivity</b>  <b>Fleet growth</b>  <b>Digital commerce</b>  <b>New OEM strategies</b>  <b>Industry consolidation</b>  <b>Asia growth</b>  <b>Advanced analytics, machine learning, &amp; AI</b>	 <b>ADAS &amp; autonomy</b>  <b>Shared mobility</b>
		Moderate	 <b>Increasing parts durability</b>  <b>Increasing parts complexity &amp; software</b>  <b>New intermediaries</b>  <b>Channel shift toward DIFM</b>
		<b>Today: 1-2 years</b>	<b>Tomorrow: 3-10 years</b>
		<b>Timing</b>	



# Electrification: Routine maintenance spend for BEVs expected to be 50%+ lower than ICE

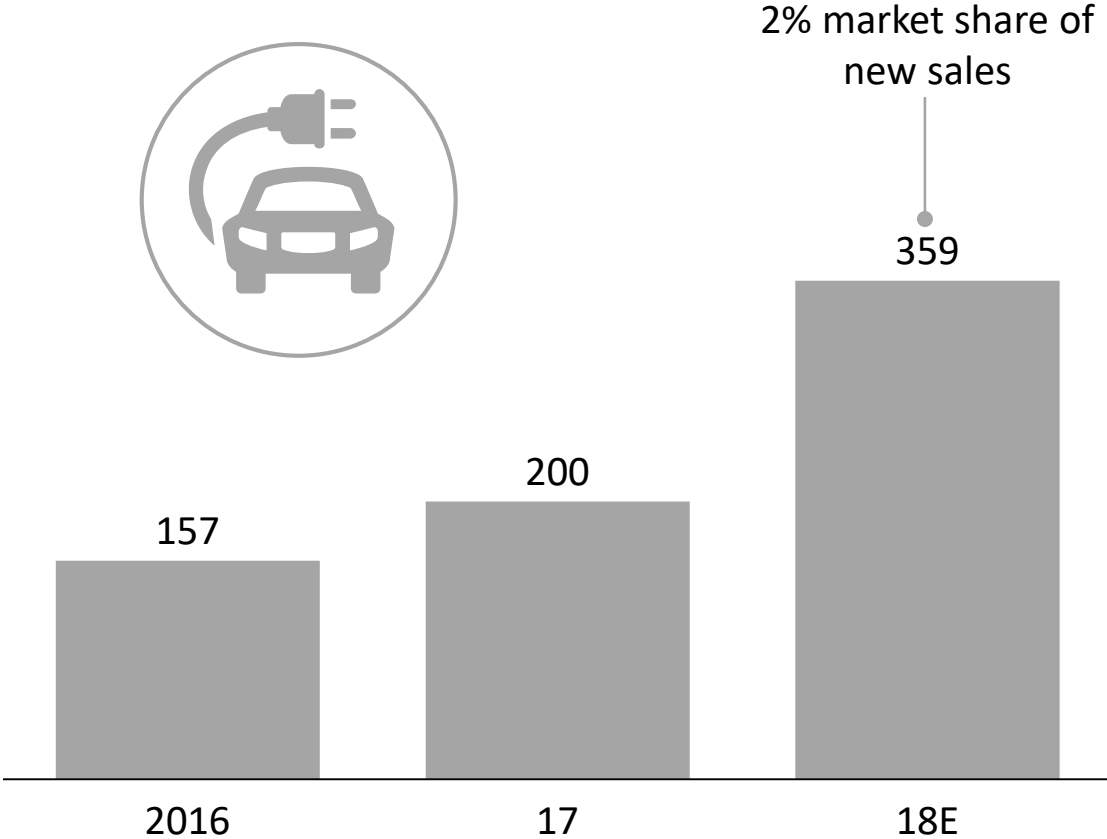
Estimated routine maintenance costs, \$ per customer per year, by vehicle type



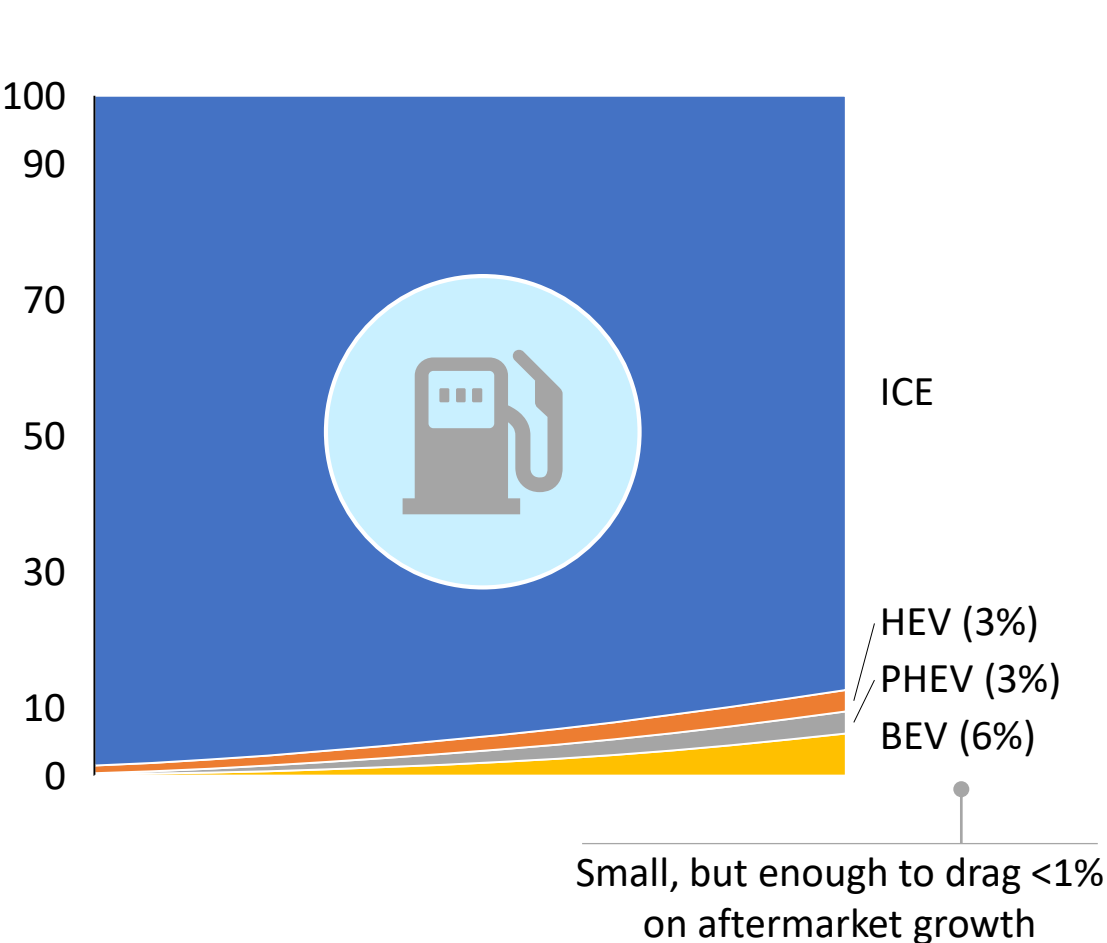
1. PHEV 80% of HEV  
SOURCE: AAIA Autocare Factbook, insideeevs.com, UBS

# Electrification: While EV sales increasing in US, share of parc expected to remain small through 2030

Recent US EV sales, thousand units



2030 US car parc forecast, %

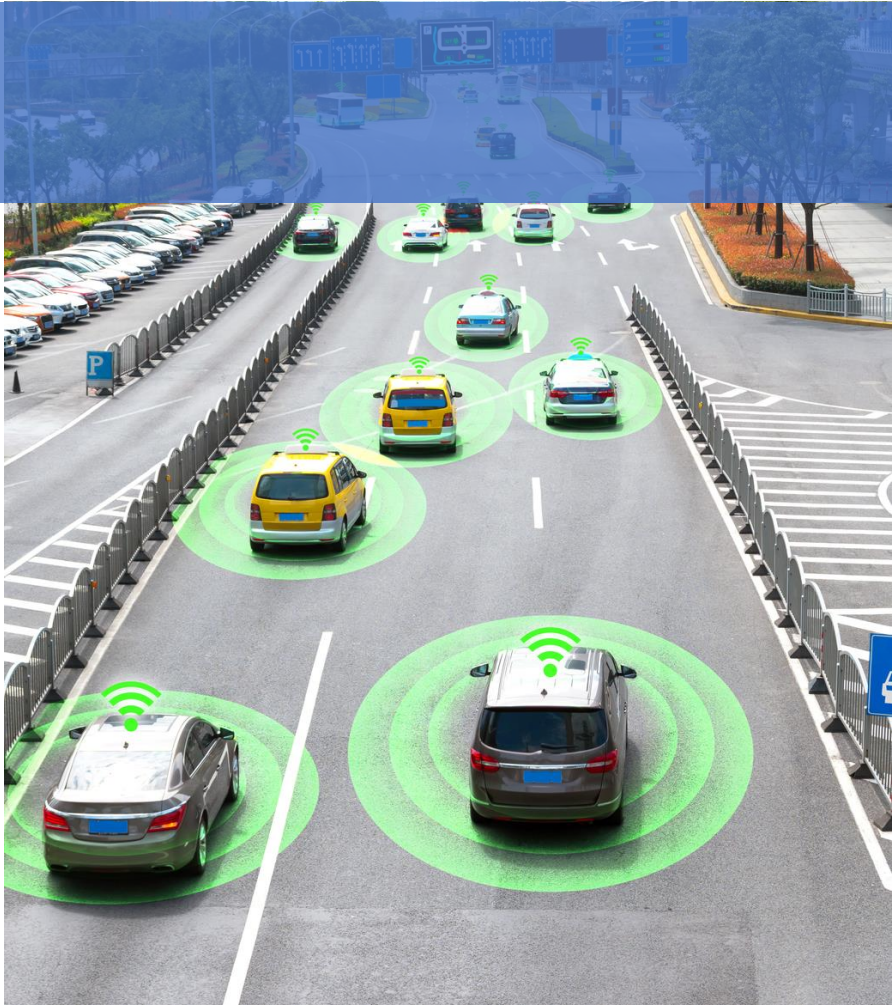
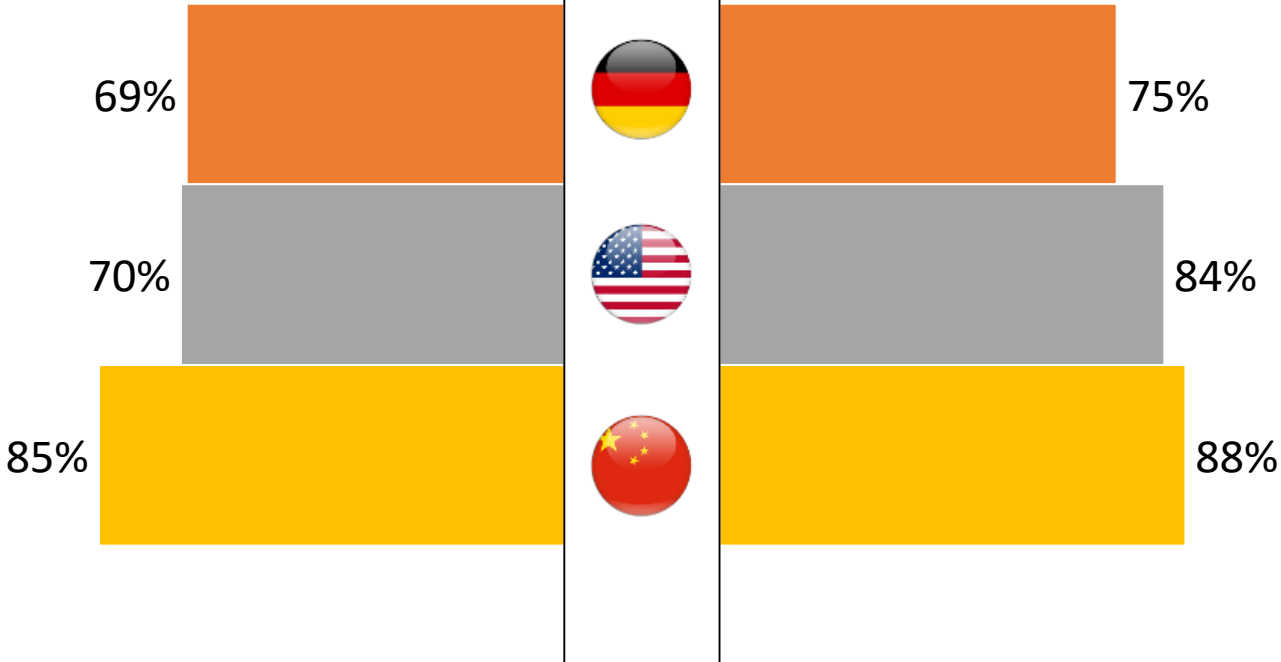


# Connectivity: Consumers willing to share data and listen to recommendations from their cars

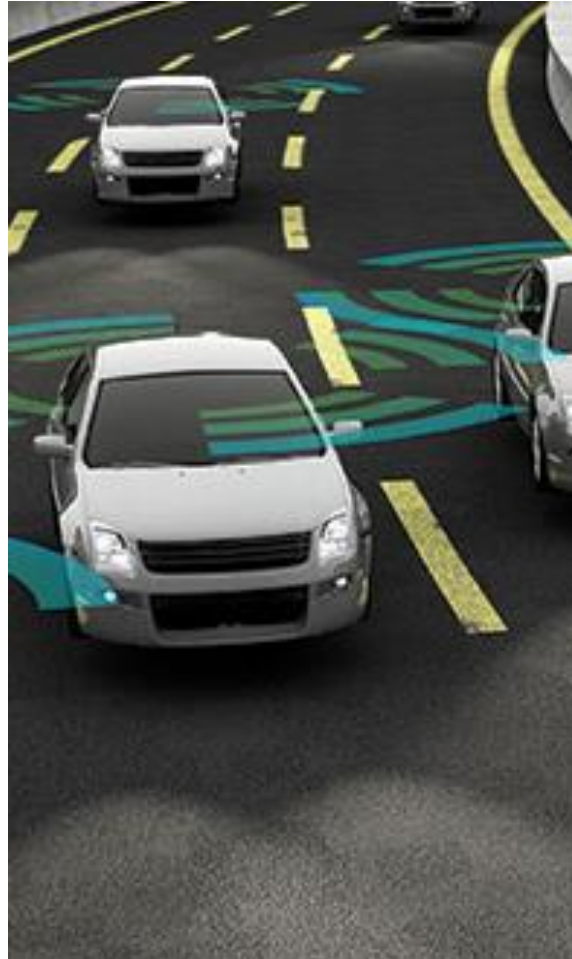


Percent who would **listen to their cars** if they recommended a location for service

Percent who are **willing to share personal data** about navigation and mobility



# ADAS: Effectiveness largely unknown, but expected to reduce collision rates and increase severity

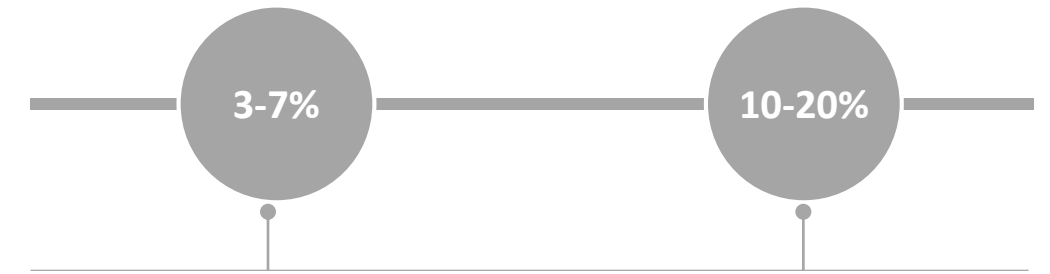
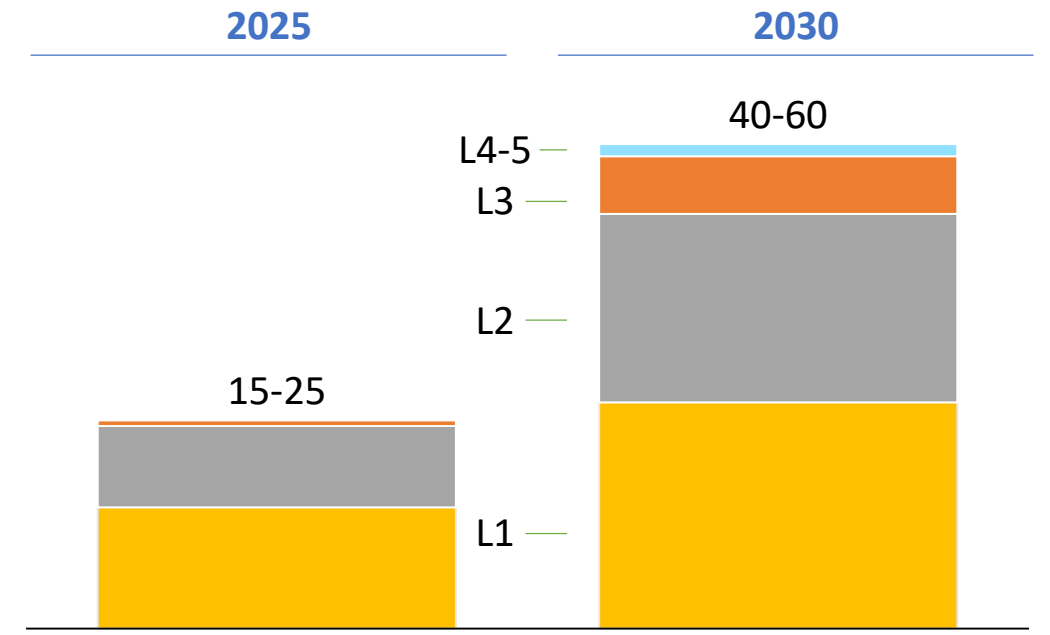


**ADAS expected to penetrate 1/2 of car parc by 2030**

ADAS car parc penetration

**...That could reduce collision rates by 10%+**

Collision rate reduction

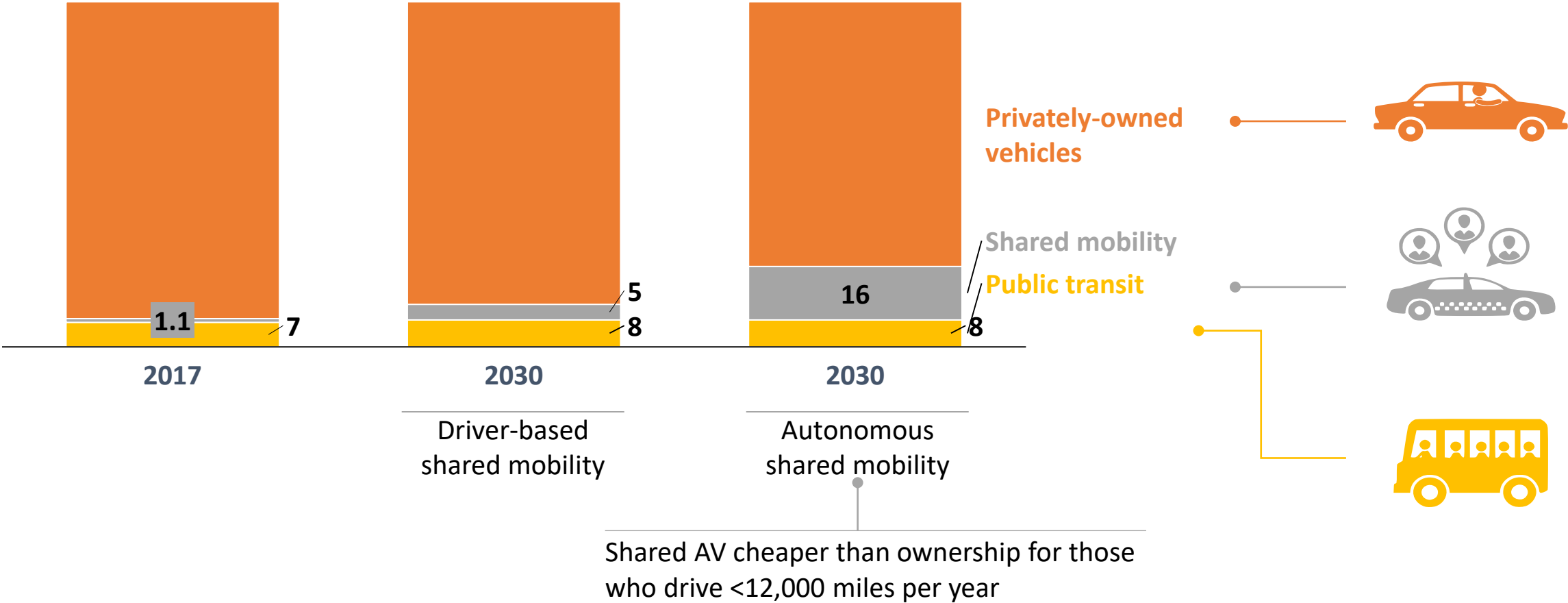


However, severity (cost) as incidence decreases

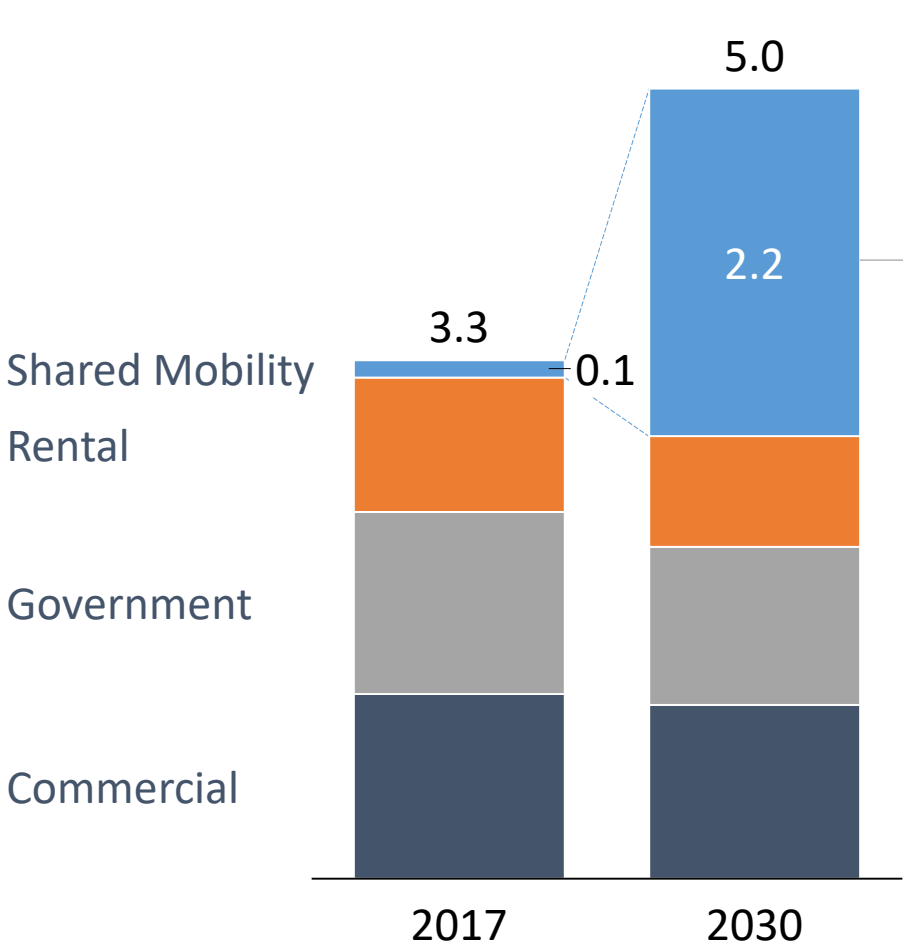


# Autonomy: Economics of shared mobility improve substantially without a driver

US passenger miles traveled, %



# Fleet growth: Shared mobility expected to create a new category of fleet vehicles by 2030



**Tailwind**

Shared vehicles are 2.2% of the fleet but much larger share of aftermarket—they typically have 5X more annual mileage

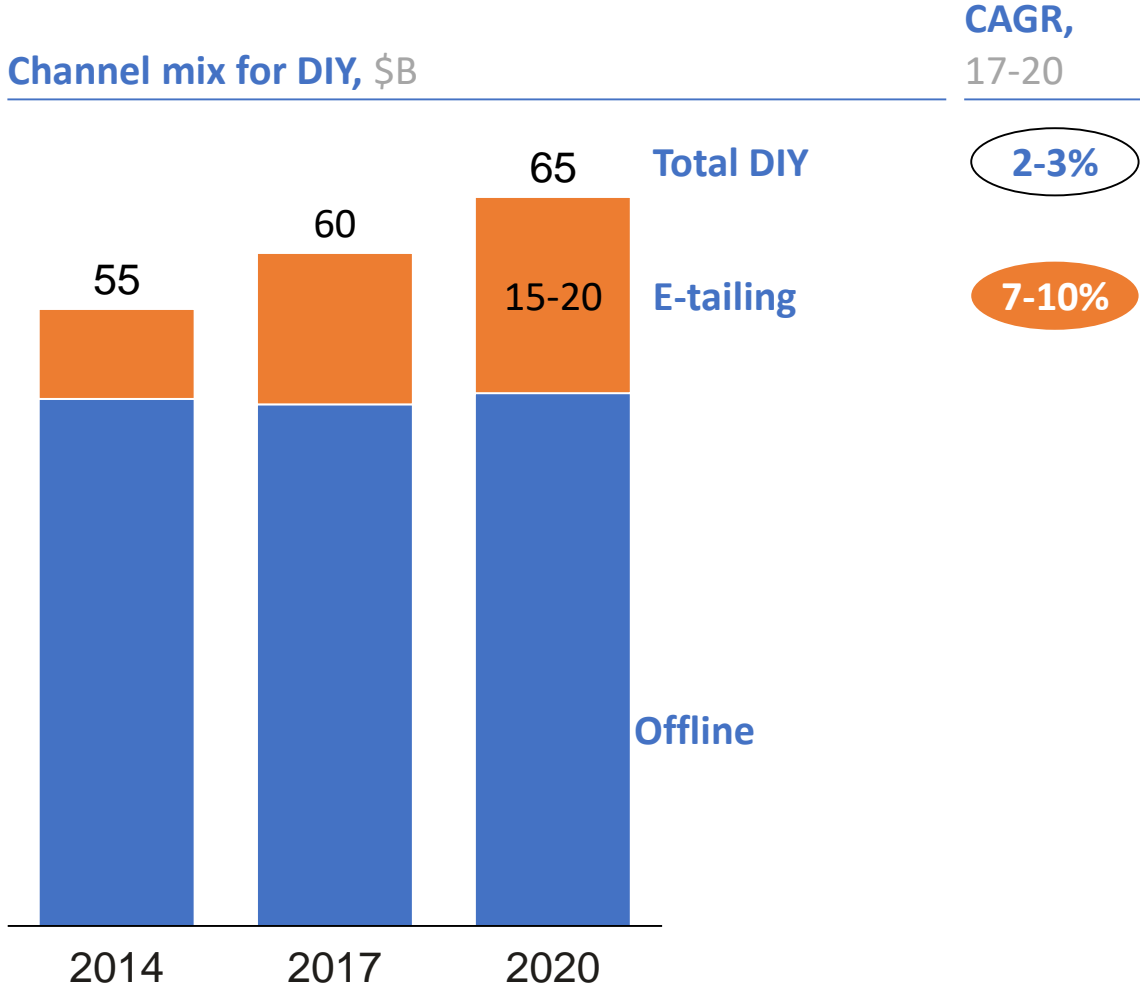
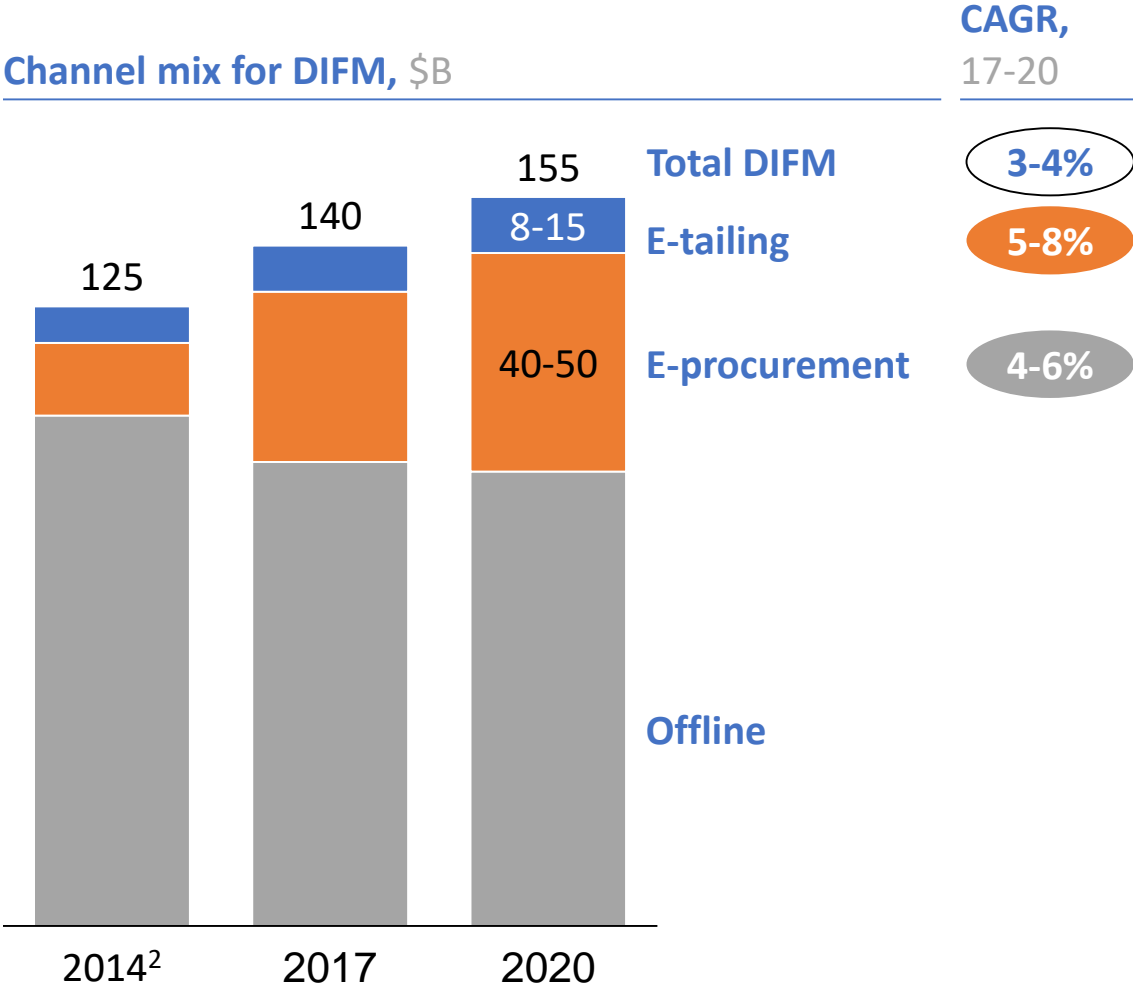
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**Headwind**

Shared vehicles likely to be BEVs and require less maintenance than ICEs

1 To qualify as a fleet, a business must have purchased five vehicles in a year or have 15 total units in operation. All commercial entities with fewer than 15 vehicles in operation are considered non-fleet. Market sizing with Fleet Fact Book 2019 breakdown for today's fleet segments (note: Slow growth outside robo-fleets driven by competition shared adds to rental and reductions in gov't spend)

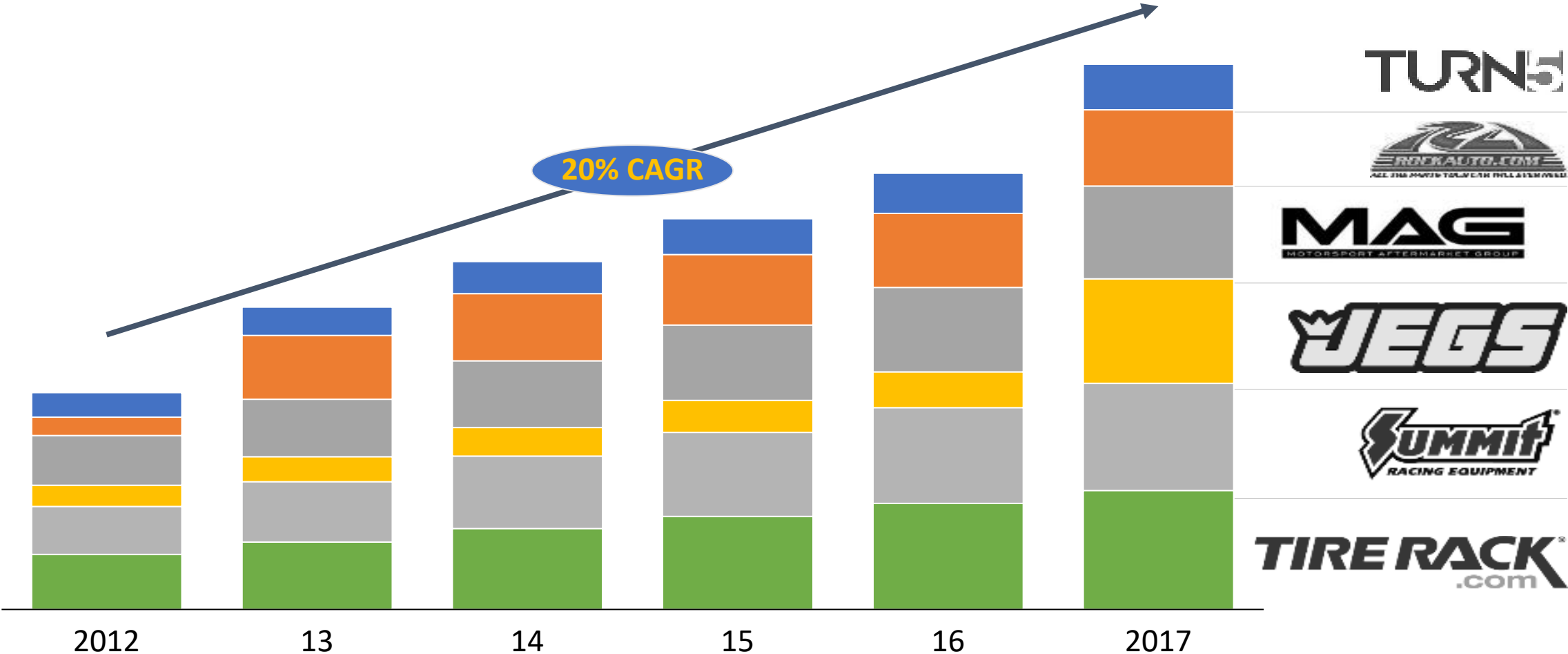
# Digital Commerce: E-tailing for both DIFM and DIY will outpace the market and reshape its dynamics



<sup>1</sup> Includes BOPIS and ship-to-home  
<sup>2</sup> 2014 e-procurement range is based on McKinsey analysis and consideration of other sources  
 SOURCE: DIY Customer survey, Dec 2017, N=3212; DIFM Customer survey, Jan 2018, N=507; Auto Care Factbook 2018

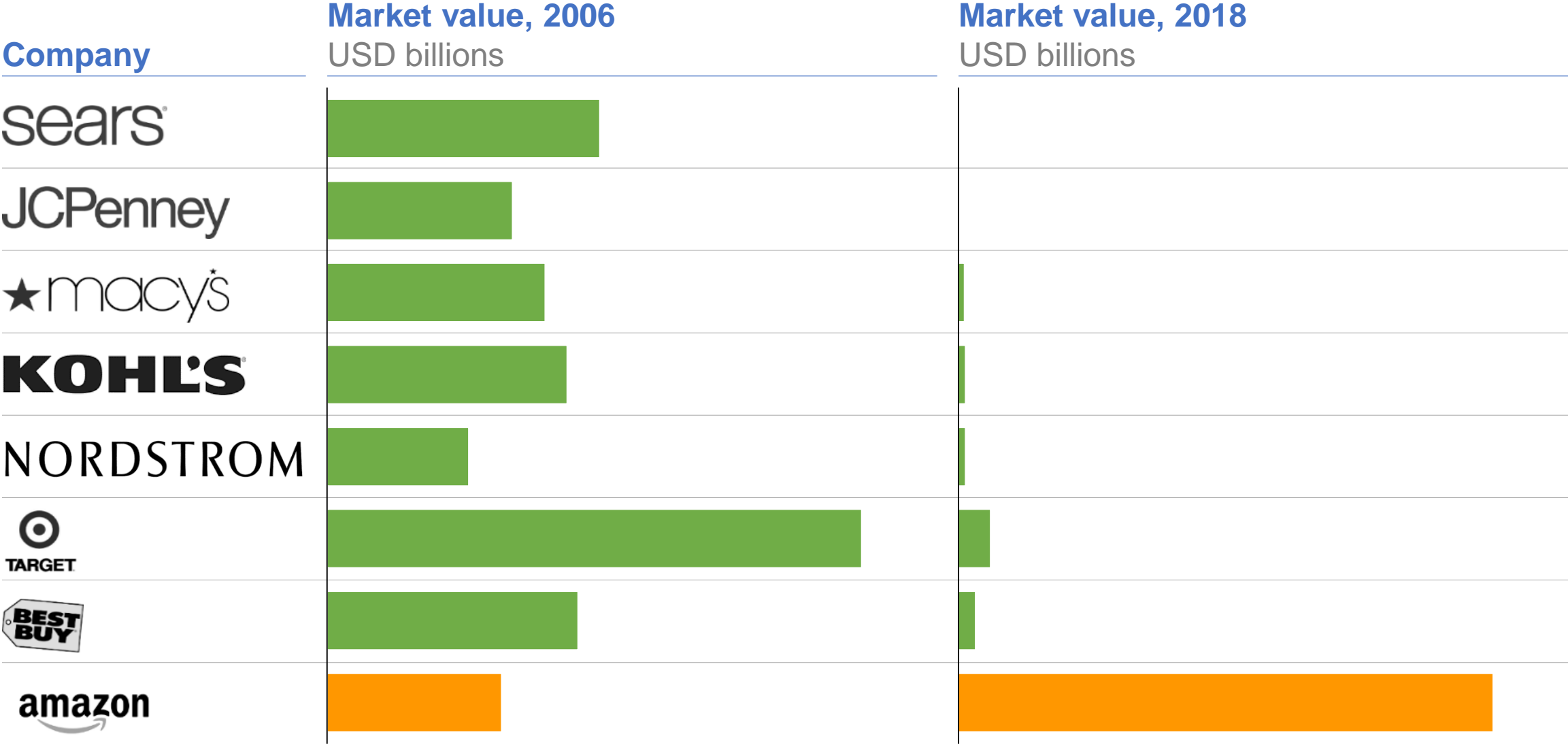
# Digital commerce: Amazon not the only success story over the past 5 years

Estimated e-tail sales \$B



SOURCE: Internet Retailer

# Digital commerce: History shows that holding out is not an option



# New OEMs strategies: PSA for instance with growing presence in the independent aftermarket segment through diversified service offering

PSA strategy “push to pass” initiated in 2016 with goal to increase overall customer base



## Approach: PSA diversifying independent aftermarket service offering %

### Organizational changes to address new strategic approach

- Creation of new business unit “Circular Economy Aftermarket” to provide customers with a broad a range of parts and services including re-used parts

### PSA aftermarket service offering:

- “Distrigo”: Distribution brand for the Group’s multi-brand spare parts with 131 distribution hubs in Europe – Latin America and China roll-out ongoing
- “Eurorepar”: PSA's multi-brand spare parts label for maintenance and wear
- “Euro Repar Car Service”: PSA's maintenance and repair multi-brand network
- **Other service offerings:** Consumables brand for bodywork professionals (“Forwelt”), web platforms for online sales (“Autobutler.fr”/“Misterauto.com”), pre-used parts aftermarket solution (“Service Box”)

## Impact: psa sees growth in aftermarket revenues

+ 33%

In worldwide aftermarket revenue between 2015 and 2018

+ 40%

In worldwide independent spare parts<sup>1</sup> revenue between 2015 and 2018

1 All parts excluding Groupe PSA original parts

# Industry consolidation: The distributor landscape is consolidating

EXAMPLE EUROPE

Largest auto parts distributors in Europe, turnover<sup>1</sup>, in EUR millions

■ Affected by M&A activities (either PE or merger)

LKQ Europe	Stahlgruber	ECP	Rhiag	...	4,700	LKQ (US) expanded to Europe with acquiring <b>Stahlgruber, Euro Car Parts, Rhiag, Sator, Auto Kelly</b> and <b>Andrew Page</b>
Wessels + Müller	W+M	Trost			1,704	W+M bought <b>Trost</b> in 2015
Inter Cars					1,662	
Alliance Automotive					1,560	<b>Blackstone</b> sold AAG in 2017 to <b>Genuine Parts Company</b> (US) for EUR 1.7 bn
Autodis					1,255	Autodis was acquired by <b>Bain Capital</b> in 2015
Inter-Sprint Banden					743	
SAG <sup>2</sup>					640	SAG acquired a majority stake in <b>Autonet</b>
Mekonomen					610	<b>LKQ</b> owns a 27% stake in Mekonomen
Nordic Forum <sup>3</sup>					547	FTZ, Inter-Team to be acquired by <b>Mekonomen</b>
Europart					438	Acquired by <b>Alpha Private Equity</b> in 2017
Winkler					394	
Micheldever					389	
Broman Group					337	
Fintyre					328	<b>BainCapital</b> acquired Fintyre in 2017
ESA					321	
Deldo Autobanden					317	
The Parts Alliance <sup>4</sup>					314	<b>UniSelect</b> (US) acquired PA from <b>HgCapital</b>
Johannes J. Matthies					235	
Moto-Profil					217	
Hans Hess					212	

<sup>1</sup> As of 2017 or latest available FY, partly estimates; <sup>2</sup> Including sales of Autonet; <sup>3</sup> Nordic Forum comprises FTZ, Inter-Team and Hellanor, all owned by supplier Hella. Approval for Mekonomen's acquisition outstanding as of July 2018;

<sup>4</sup> Excl. revenue from non-consolidated entities

# Across trends, readiness not correlated to expected impact—time to act is now

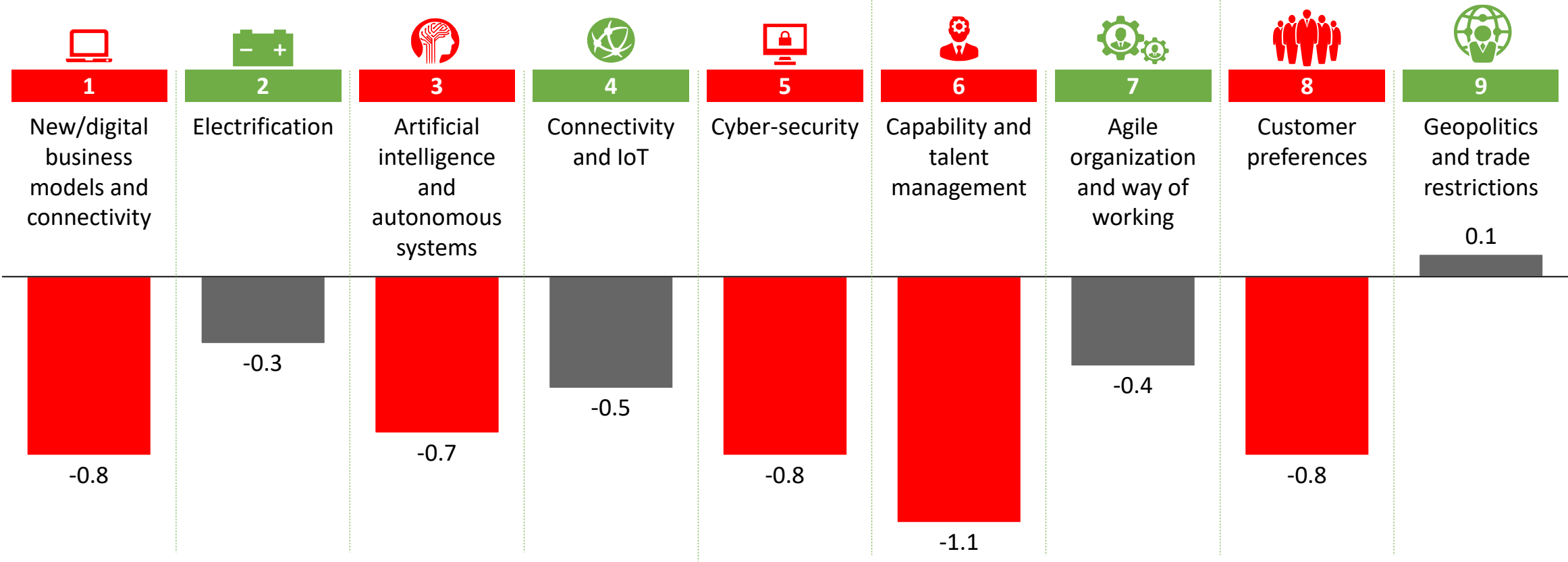
Gap analysis of respondents' expected impact<sup>1</sup> and readiness<sup>2</sup>

■ Highest impact, lowest readiness

## Technology disruptions

## Organizational change

## Macro trends



1 Impact on business (e.g. sales, EBIT, strategic priority, competitive position). From 1 (not affecting business) to 5 (affecting at least half of the business)  
 2 Answer options: 1 No measures so far 2 Assessment available 3 Strategy in place 4 Strategy in place, pilot initiatives started 5 Holistic program/transformation started  
 SOURCE: McKinsey Global Disruption Ahead Survey, 2017, N=225



# Disruptive trends will alter Automotive Aftermarket structure along the entire value chain with significant shifts in profit pools

