

AFTERMARKET IN EUROPE



OUTLINE

Market

- Size, split, and growth of market
- Market segments
- Key buying factors
- Buying process
- Country characteristics

Recommendations

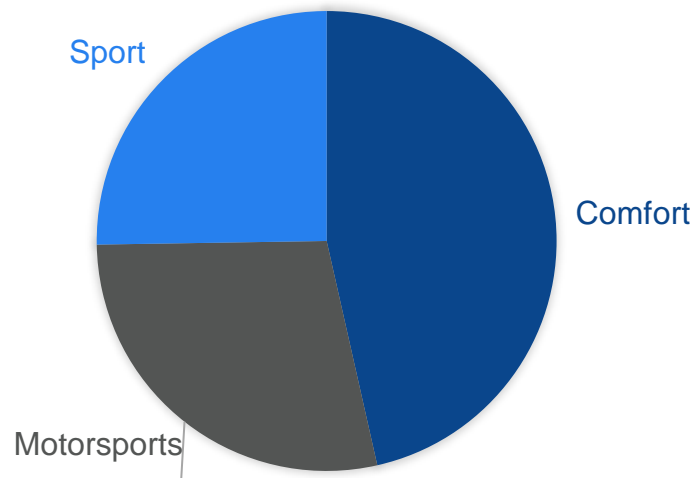
- Improve order fulfillment process
- Upgrade the product line-up
- Improve marketing
- Enter new markets

MARKET MAP FOR EUROPE

Market size, shares, growth

The overall market in Europe is estimated at €70-80 million, and expected to grow at 2-3% per year, but growth may be slowed, or stopped, by changes in regulations or increases in complexity of OEM seats (i.e. making replacement of seats more difficult)

Market split



Market leaders

Comfort

- CLIENT
- Other key players include ASS, Scheel-mann, and König

Motorsports

- Sparco
- OMP

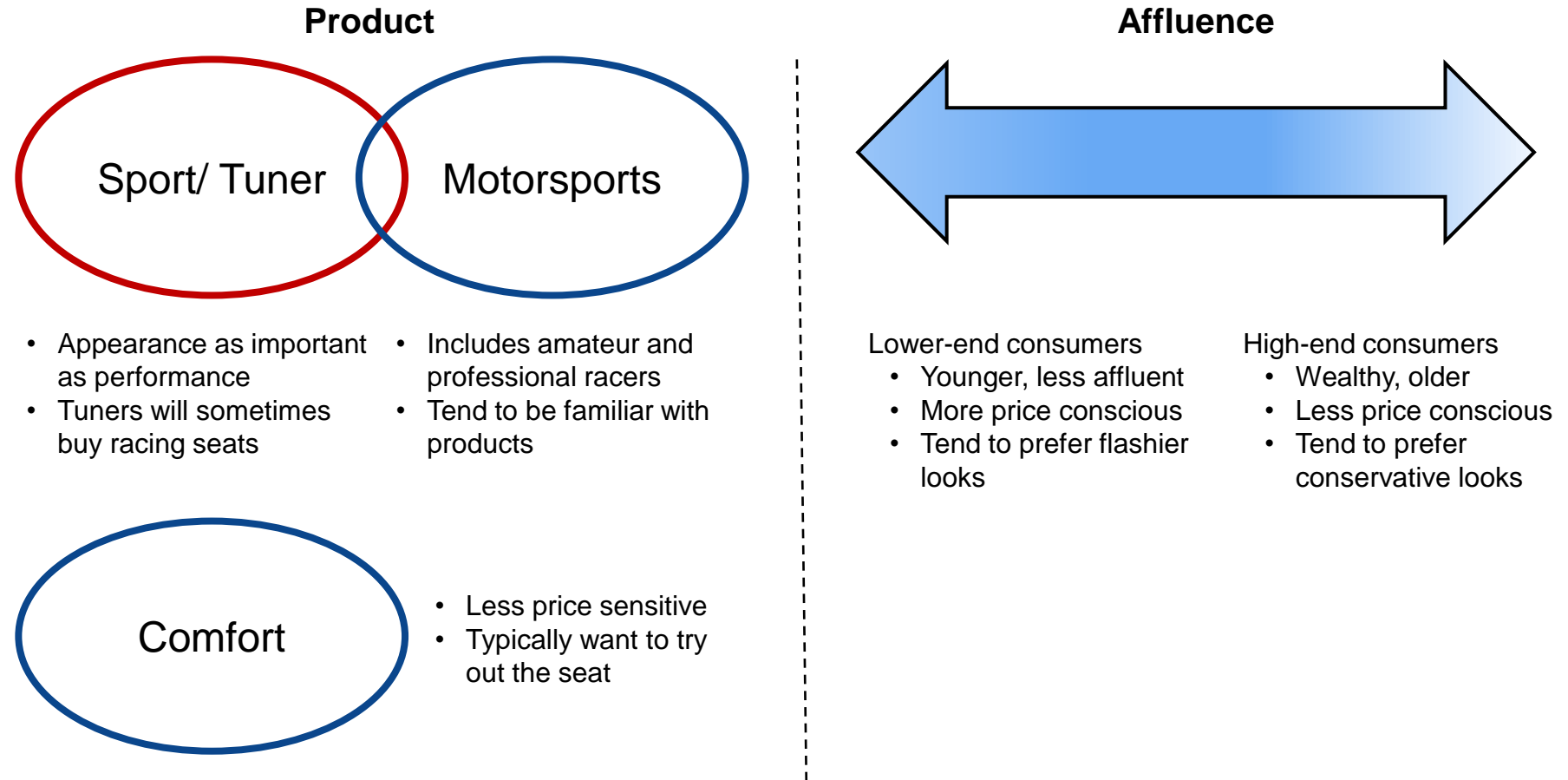
Sport

- Dominated by inexpensive, “off-brand” competitors

MARKET SEGMENTS

High level

Major segments align closely with product types, with level of affluence also affecting preferences



KEY BUYING FACTORS

All the segments share key buying factors



- Quality, cost, and performance are typically viewed as tradeoffs
- Most manufacturers are perceived as doing well against the tradeoffs



- Critical to most customers
- Ability to sit in a seat is important
- Often willing to drive 2-3 hours to sit in seat



- Important to many consumers
- A new seat is one level of uniqueness
- Ability to personalize is a further level



- Older consumers prefer more conservative
- Younger, less affluent prefer flashier



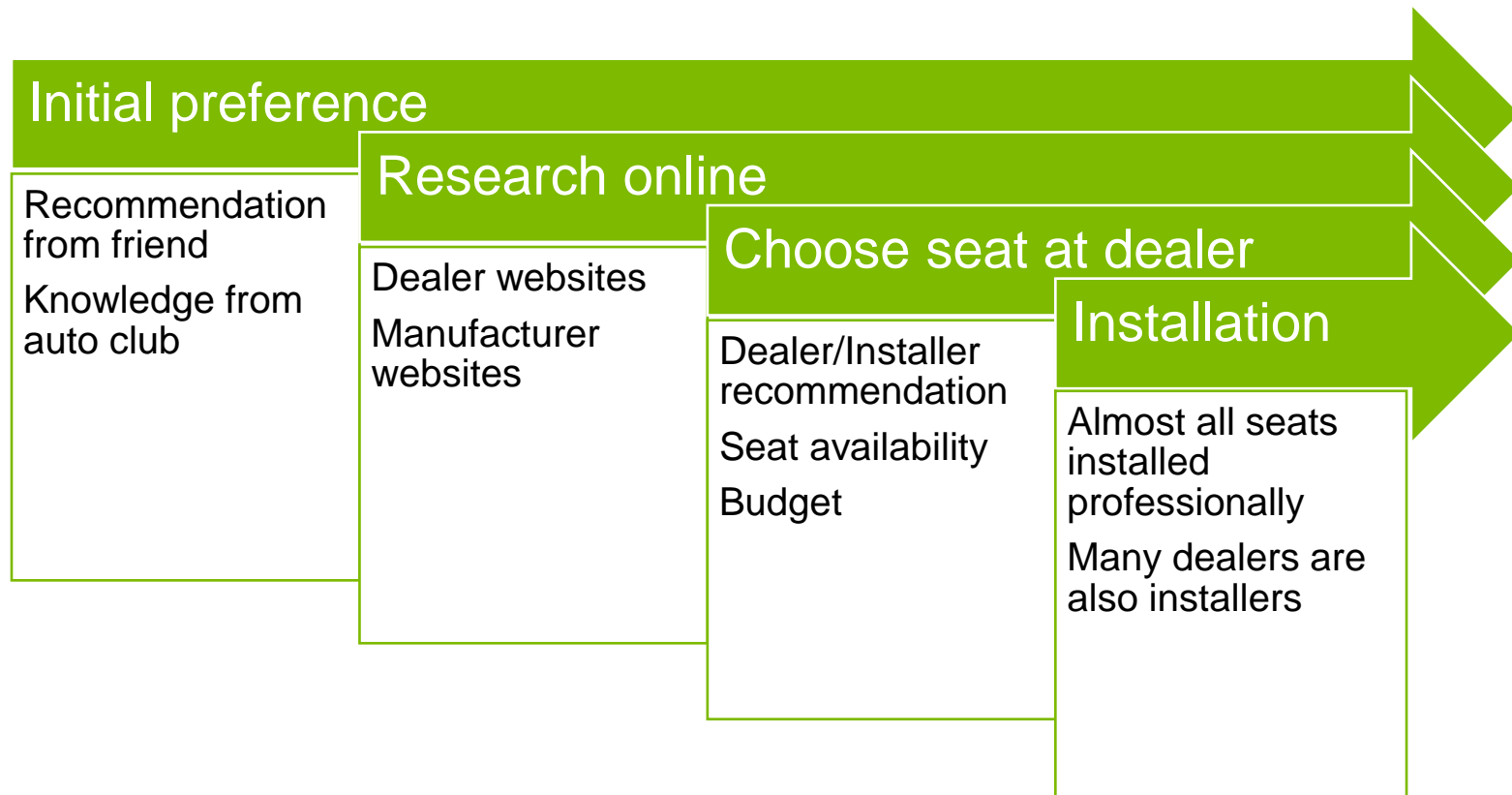
- Can be a factor, but most seats are installed professionally installed
- Many manufacturers use third party brackets



- Can be critical depending on country and intended use

BUYING PROCESS

The buying process is very similar to other markets



COUNTRIES

Key characteristics

The biggest markets have some similarities, but differ on whether quality or cost is more important and also whether motorsports or aftermarket (AM) are dominant. Eastern Europe and Russia will become important as the economies grow.

Leading markets

- Germany
 - Performance, quality oriented
 - High level of regulation
 - AM \approx motorsports
- Italy
 - Performance, quality oriented
 - Motorsports > AM
- UK
 - Fewer regulations
 - Price driven, versus quality
 - AM \approx motorsports
- France
 - Performance, quality oriented
 - AM > motorsports
- Spain
 - Growing aftermarket
 - Smaller than big 4
 - AM \approx motorsports
- Eastern Europe (Poland, Czech Republic, Hungary, etc.)
 - Less overall market demand
 - Price driven
 - Small quality segment
- Russia
 - Huge possibilities
 - Highly varied market
 - Requires a lot of effort to manage

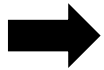


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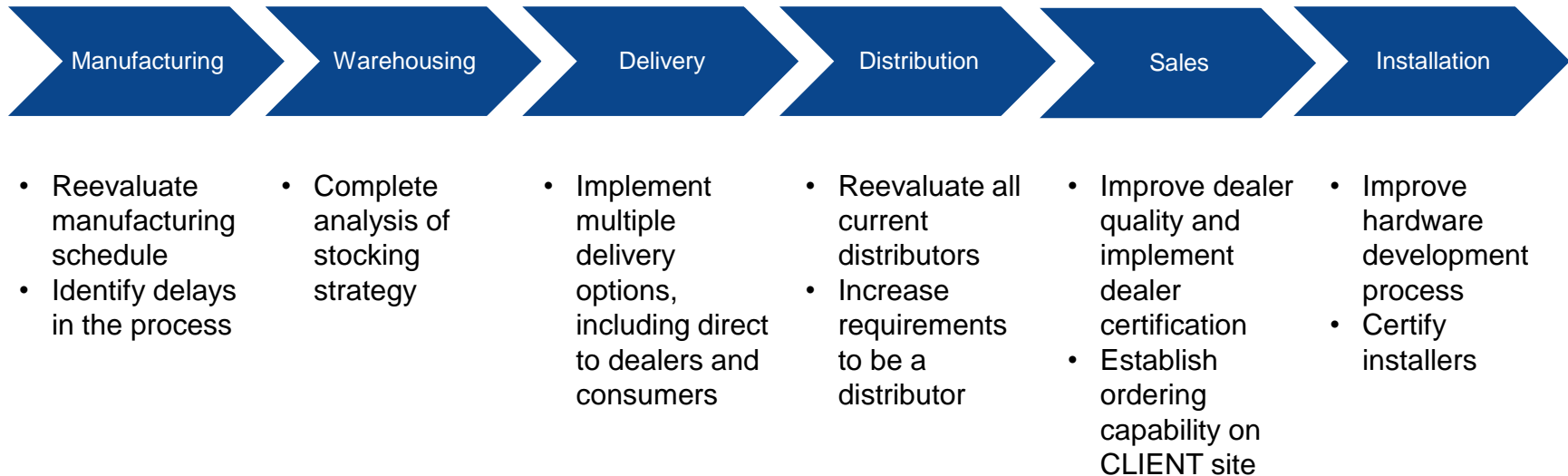
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IMPROVE ORDER FULFILLMENT PROCESS

CLIENT should look for improvements across all the steps in the value chain from manufacturing to installation

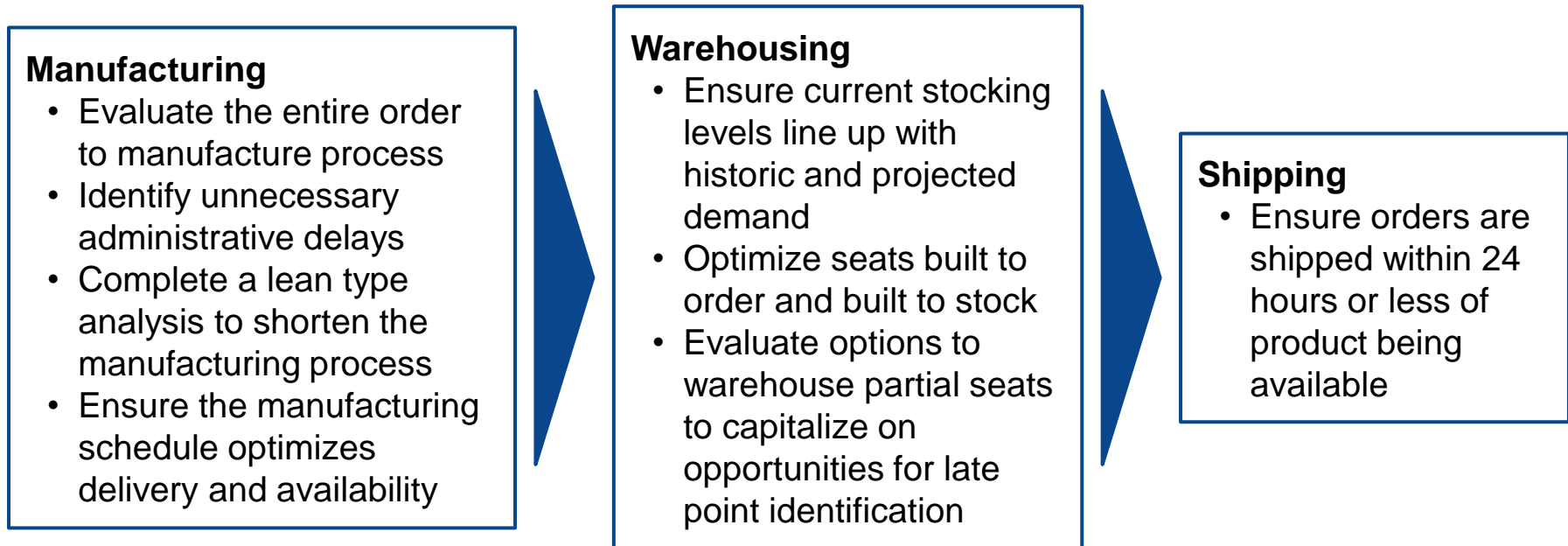


The key to increasing sales and margins is to shorten delivery times, strengthen the distribution/dealer network, and make purchasing and installing a CLIENT seat simpler

MANUFACTURING AND WAREHOUSING

Reducing time to deliver

A critical part of improving delivery and availability is shortening the order to shipping process and having a comprehensive strategy for warehousing seats



In addition to shortening delivery times and improving availability, transparency on in-stock items and delivery status must be available to dealers and customers

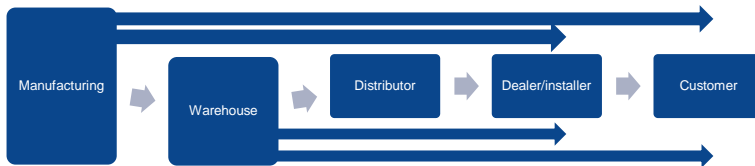
DELIVERY AND DISTRIBUTION

The steps in the delivery process and the distributors used both need to be evaluated

Current process



Proposed process



- Remove steps in the delivery process where possible
- Shorten delivery and potentially gain margin

Evaluate current distributors for added value, e.g.

- Have an established customer base or sales and marketing expertise
- Provide customer service
- Keep inventory or improve logistics

Upgrade requirements to be a distributor (and replace ineffective distributors)

- Sell all three types of seats (add a distributor if not addressing a part of the market)
- Have an active sales and marketing effort
- Have a showroom with a minimum number of seats available for customers to try

Having seats available for customers to try out at a showroom is critical to acquiring customers and converting sales

SALES – DEALERS/INSTALLERS

Identify dealers and installers that can drive demand

In the course of revamping the distribution network, improve dealer quality by identifying dealers and installers that can increase sales

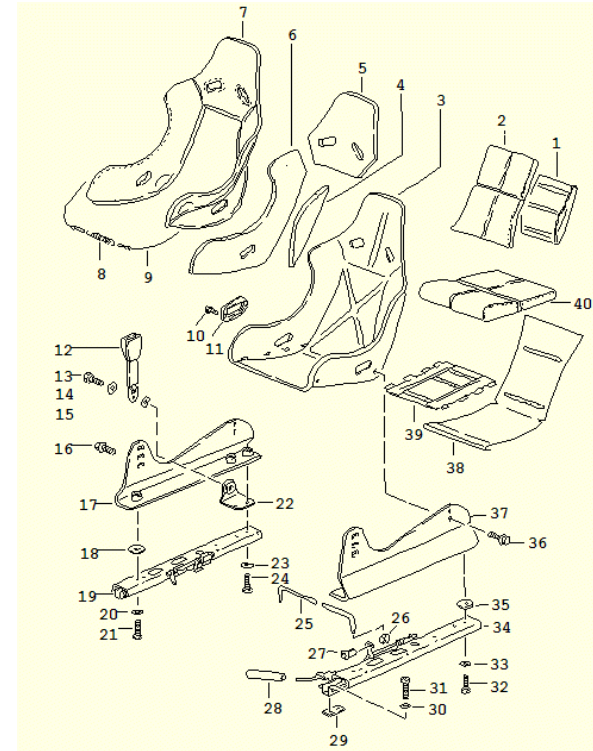
- Japan has a robust network of dealers, and could provide a model for Europe
 - Dealers drive demand
 - Dealers develop expertise in the product
 - Dealers are supported by CLIENT
- Europe has a wide variety of dealers and installers who already sell CLIENT seats
 - Develop a process and requirements for certification of dealers and installers
 - Identify largest and most qualified current sellers of CLIENT seats
 - Certify them as official CLIENT dealers/installers
 - Allow them to order direct from CLIENT
 - Support them in selling CLIENT products
 - Provide/co-develop marketing materials
 - Provide training and technical advice
 - Provide ideas and best practices for marketing and promoting CLIENT

Developing a robust network of value-adding dealers and installers is the key to long-term growth and profitability

INSTALLATION

As the final stage in the process, installation should also be improved

- Implement certification for installers
- Provide training and technical assistance
- Institute a feedback loop from certified installers on issues with installation
- Create a faster process for developing new brackets to minimize gaps in the offering



Lack of brackets is a significant impediment to proper installation

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UPGRADE THE PRODUCT LINEUP

Long-term product development strategy

CLIENT's long term growth and success are contingent on new products and related technologies based on a comprehensive product roadmap/cycle plan. Key developments could include

- Close product positioning gaps where identified versus competition
- Reduce the number of core products (i.e. modular approach and increase individualization options per core product)
- Health Monitoring
- Driver Conditioning
- Climating
- Contour Sensing and Automatic Seat Adjustment
- New shell for either street usage and FIA
- Product optimized advanced seats (weight, covers, cooling, etc.)
- Adapter to allow several shell positions
- Variable inlays to vary sizes
- Establish competencies in composite technology

The product lineup is the core of the business

UPGRADE THE PRODUCT LINEUP

Minor modifications to seats

While a long term product development plan is most important, minor modifications on CLIENT's current product line-up should drive demand, give a fresh look, and provide the basis for marketing campaigns in the near-term

Cosmetic modifications should be evaluated and implemented

- New fabrics
- Color options
- Distinctive stitching
- Logos or other distinctive markings
- Special editions

Other minor modification that do not alter the basic structure of existing seats should also be considered, such as

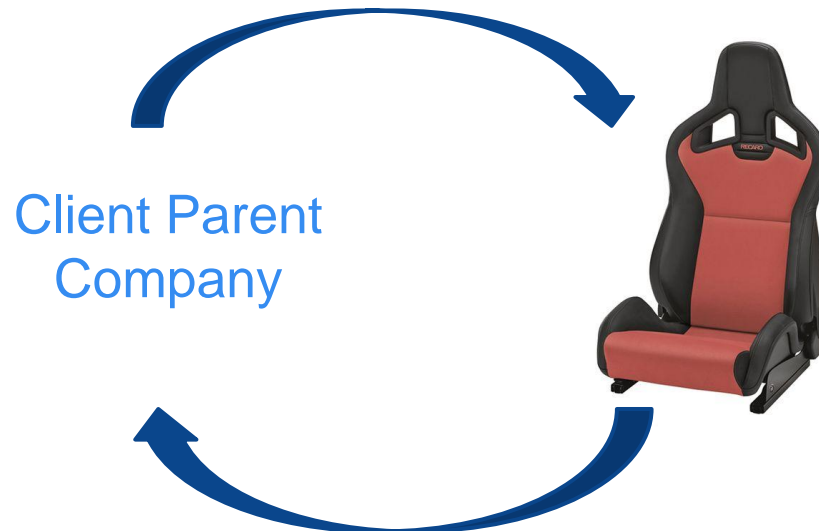
- New types of foams
- Options for various layers of foams

UPGRADE THE PRODUCT LINEUP

Working with Client Parent Company

There are significant synergies between Adient and CLIENT around new technologies that can be used in both the short-term and the long-term

- Adient has existing technologies that could be used to update the product line-up
- CLIENT can use its presence in the aftermarket to prove out new technology, to aid Adient in selling the technology to OEMs



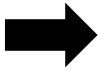
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IMPROVE MARKETING

Update online capabilities and capture customer feedback

The CLIENT website should be updated, and a consumer feedback loop should be created, based around customer service centers

Update CLIENT website

- Improve navigation
- Develop a “life-style” configurator to help consumers to choose the right seats
- Add ordering capabilities
- Include stock availability information and allow tracking of orders
- Make website more mobile friendly
- Link to social media efforts
- Develop mobile marketing

Create consumer feedback loop

- Build customer service centers
 - Initial site at CLIENT
 - Sell direct
 - Install seats
- Capture all customer feedback
 - From customer service center
 - From consumer feedback on website
 - From dealers and installers
- Have more customer events
- Learn the issues by talking direct to customers, and listening

A solid online presence and a better understanding of consumers are critical to the business going forward

IMPROVE MARKETING

Exploit presence in Motorsports, partner with AM premium brands

Complete the evaluation of CLIENT presence in motorsports

- Develop a prioritized action plan address highest potential customers
- Identify most critical product development efforts required
- Build relationships with key OEM organizations in coordination with Adient (e.g. Ford Performance, AMG)

Partner with premium aftermarket brands

- Conduct shows with key complimentary performance products
- Align dealer and installation networks where appropriate
- Identify potential opportunities to cross-sell (e.g. to motorsports teams, auto clubs)

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ENTER NEW MARKETS

CLIENT branded lifestyle products

CLIENT can add sales and build its brand image by selectively marketing certain related types of lifestyle products

- Only high quality items
- Similar what is sold by Porsche, BMW, Mercedes, Audi
- The market is estimated to be \$80-100 million in Europe (includes safety equipment)

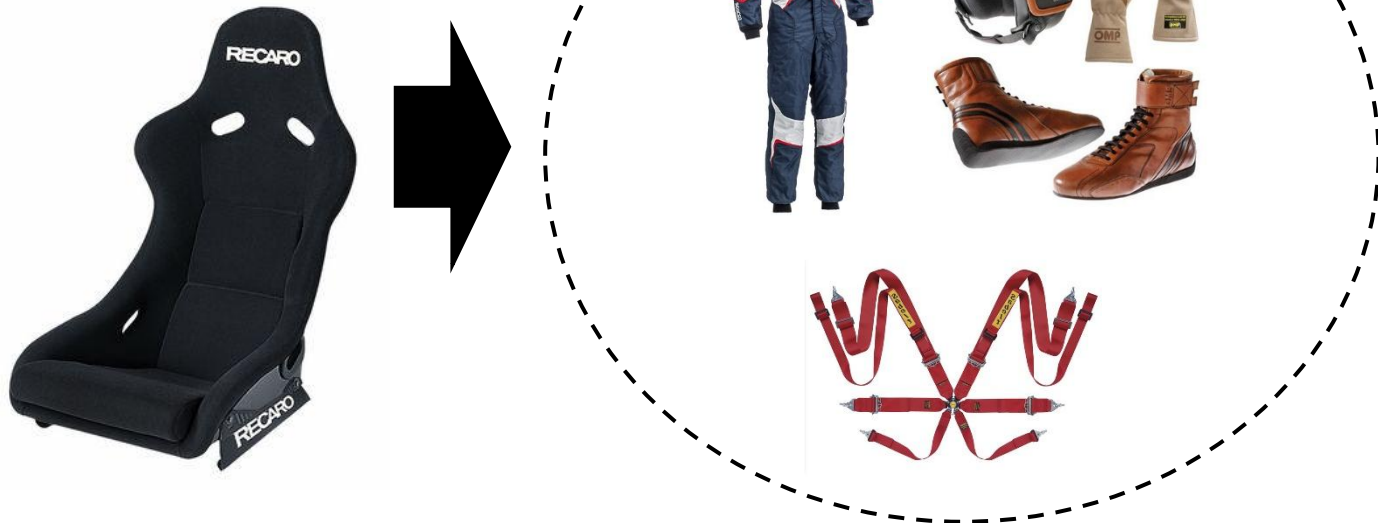


ENTER NEW MARKETS

CLIENT branded safety equipment

CLIENT should look to develop a complete range of safety equipment, most likely through partnering with qualified manufacturers

- Seats are typically considered part of a overall safety upgrade to a car
- Many of CLIENT's competitors sell related safety equipment
- Motorsports customers prefer to buy all safety equipment from the same supplier



A complete line-up of safety equipment will help in sales, particularly to teams

ENTER NEW MARKETS

Racing gaming seat market

The racing gaming seat market would provide an opportunity to build awareness of the CLIENT brand to younger age customers

- A partner should be sought to co-develop and co-brand a seat
 - CLIENT can design the seat
 - The partner can engineer the seat
- Likely partners include Playseat, OpenWheeler, and RSEAT, who make top quality racing gaming seats



Playseat



OpenWheeler



RSEAT

Essential to keep brand relevant to the next generation

ENTER NEW MARKETS

Enter classic seat, B2B, and seat rebuild markets

While likely difficult in the short term, certain key adjacent automotive seating markets should be evaluated

Classic cars

- Approximately 2.67 million Oldtimers + 10.68 million Youngtimers (Europe)
- Owners would like a more comfortable and safe seat, but with an “classic” look
- Can build off of existing models such as Pole Position, Profi, Expert, and Specialist

Business-to-business

- Identify industry customers that are looking for a better seat than provided by OEMs
- Specialized vehicles such as police and ambulance
- Luxury tuners

Seat rebuilds

- As technology in OEM seats becomes increasingly complex, complete seat replacements maybe become less viable for many customers
- CLIENT could use its expertise to make custom rebuilds of OEM seats, using the OEM seat structure and add custom padding, bolsters, and appearance upgrades similar to what some companies do with motorcycle seats (e.g. Russell Cycle Products, <http://day-long.com/>)