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Automotive Systems Strategy Consulting

DVN

OPENING

Hector Fratty

Entire career in automotive lighting

- **1994-2006 Valeo Lighting R&D director** - One of Valeo's five Master Experts.
- **2008-2024 Founder and CEO of DVN** - Automotive lighting industry's journal of record dedicated to keeping the community informed and communicating about the latest technologies.
- **2024 Founder and President A2S Consultling** - Independent firm focus to Business development, Strategy & Organisation, M&A.

Program of the Day

- Conference and Round Table
- Lunch
- Golf competition and Practice

Michel Favre

- ***2022-2023*** Chief executive officer at Hella Group.
- ***2013-2022*** CFO and EVP of Faurecia Group.
- ***2001-2013*** CFO and EVP of different non automotive Groups.
- ***1988-2001*** Different management positions, including CEO of lighting in Valeo Group.

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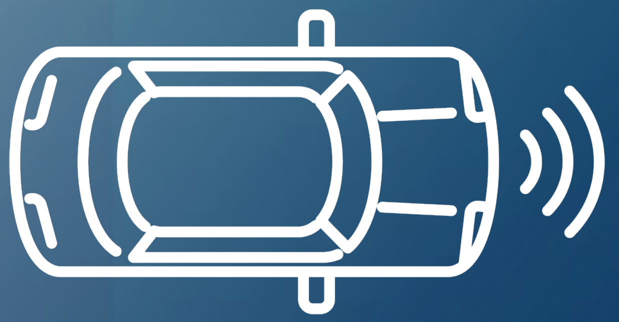
Automotive Environment

Status and Vision
of the industry

Automotive Environment

Automotive industry is facing a brutal revolution

Change of powertrain and new regulations



Breakthrough in Electronics, IVI, ADAS

Progressive change of leadership from european (+Toyota) **players to Chinese** (+ Tesla) **players**

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Automotive Environment

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Part 1: Status of the automotive industry

New regulations are impacting the industry and disturbing competitiveness.

- 2025 will be a breakthrough year in Europe with new constraints and change in Bonus/Malus system.
- Subsidies for EV and only EV could heavely impact the market.
- Distortion in competitiveness through energy prices (equalized price in Europe at 134€/MW while 28€/MW in China).
- New restrictions are coming on vehicle weight (footprint), materials, etc…
- Ecologists are targeting SUV (even vehicle ?) elimination.

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Part 1: Status of the automotive industry

What has changed in the last 5/10 years ?

- Accelerated drop/desappearance of diesel.
- Definitive choice for EV for environmental concerns.
- New players: Tesla («Electronic cars»), BYD, Hasco/YanFeng, Huawei,...
- Change of statut: no driving licence for significant proportion of young people, development of shared cars.
- Price increase of cars which make them not affordable
  First hand buyers are over 50 years.
- In Europe, change of statut of the automotive industry: loss of credibility (diesel scandal) and no more strategic industry.

Automotive Environment

Part 1: Status of the automotive industry

What has not happened ?

- Poor consolidation: only Stellantis, more than 200 car makers in China, new players (Tesla, BYD, Rivian, Vinfast, Zeekr).
- Stoppage in globalization: end of Renault-Nissan alliance, Ford/GM left many countries, French car makers absent in China market.
- No price war until today.
- Full autonomous car development partially postponed.

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Part 1: Status of the automotive industry

Focus on suppliers

- Suppliers have only partially passed through the inflation:
  Limited profitability and cash flow recovery since 2020.
- New competition from chinese suppliers (Lighting is a good example).
- Big risk linked with (accelerated?) drop of volumes of thermal engines: loss of very profitable volumes.

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Part 1: Status of the automotive industry

Summary of the part 1

- Cars are becoming very expensive.
- Western car makers, mainly Europeans, are at risk with the quick development of EV/Chinese players.
- Regulations could change the market levers.
- New players can leverage some definitive advantages:
  poor legacy, electronics focus, limited energy cost, etc…

Automotive Environment

Part 2: Which Vision for the industry

Main drivers for car buyers remain:

Mobility Freedo m	Independancy Autonomy	Status Differenciation

One driver could emerge: we are more and more senior population with 0.5 year life expectancy each year.

-> Expectation for full autonomous cars

Automotive Environment

Part 2: Which Vision for the industry

What must offer a new car ?

- Environmental friendly: powertrain, material, weight,.
- Connectivity/Upgrade capability.
- Affordability/Longetivity.
- Value for money: which functionality, which differentiation, capability to resell the car.

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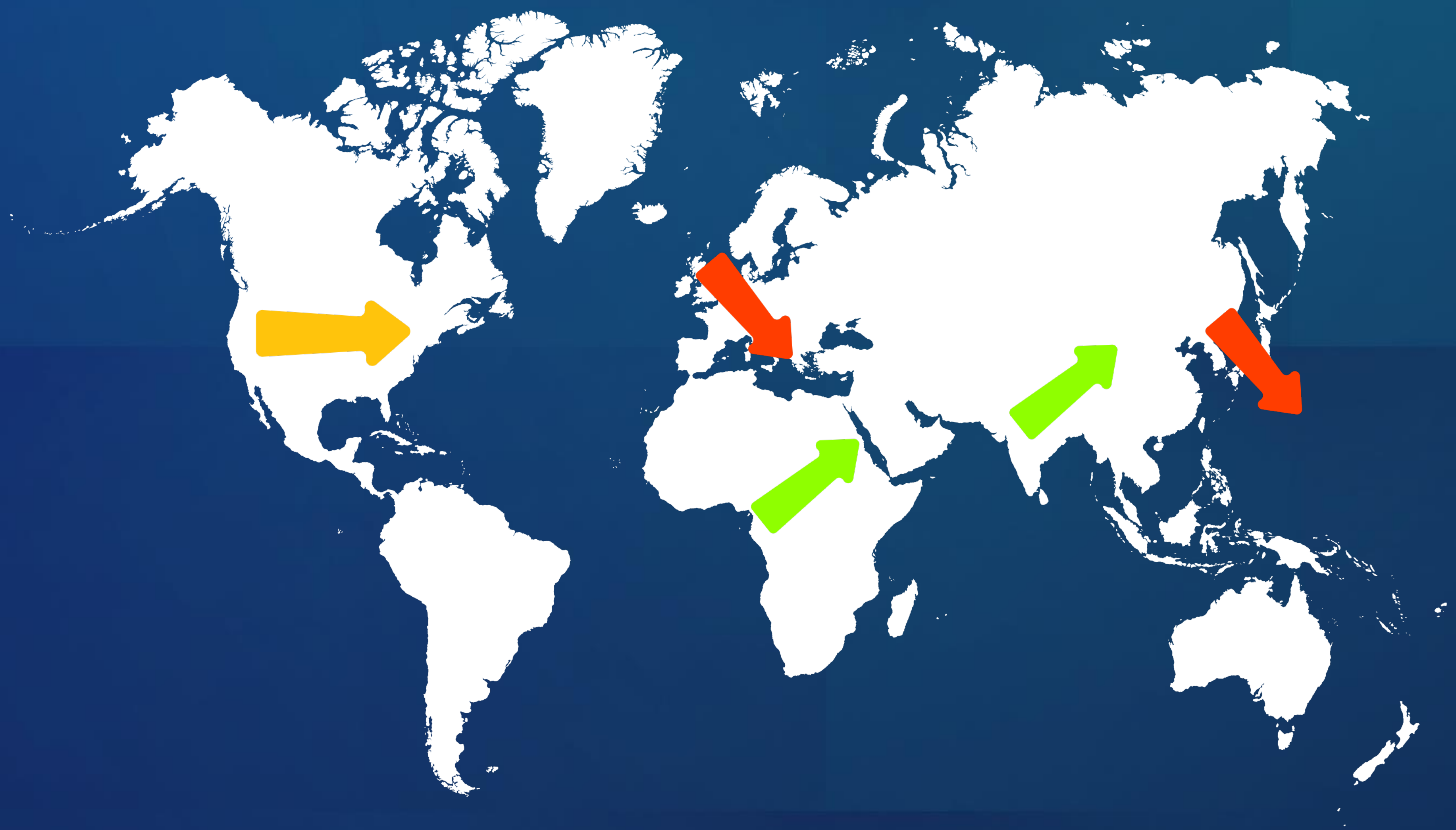
Part 2: Which Vision for the industry

Drastic changes of the markets (1/2)



- Asia and Africa markets will grow
- America will stagnate
- Europe, Japan, Korea will drop

All markets will see a quick development of EV

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Part 2: Which Vision for the industry

Drastic changes of the markets (2/2)

- Car prices (and costs) should be adjusted.
- Consolidation/Merger will happen mainly from 2025.
- Some moves of contents can be anticipated from the car makers: Battery and system management, Asia customers much more vertically integrated.
- Cost management through high volume platforms to limit R&D and component costs will be key.

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Automotive Lighting Environment

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Evolution last 10 years

In Safety

ADB lighting performance and market share increasing.

In design :

- DRL importance

- Slim HL/RL

Automotive Lighting Environment

Evolution Next 10 years

In Safety

Still ADB lighting performance and market share continuing to increase.

In design :

- Still DRL importance
- Hidden HL
- Illuminated Grill and logo

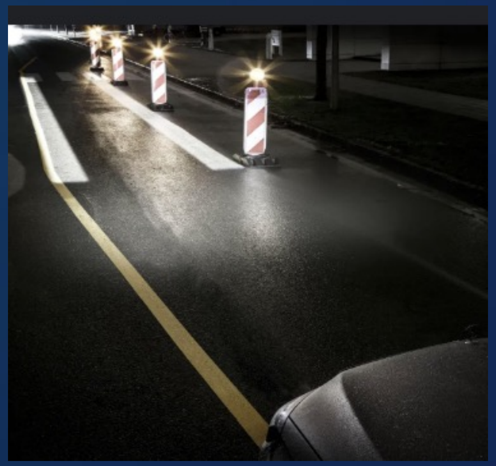
Automotive Lighting Environment

Evolution next 10 years

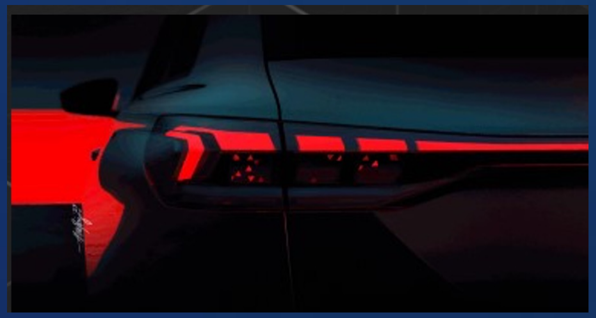
A third expectation is coming: **Communication**

Communication **to improve safety**.

- For own driver: marking light, projection on the road.
- For other drivers: indication of proximity from RL, out parking.
- For Vulnerable Road Users.



Communication **to improve brand advertisement**. (*Static projection, logo, displays*)



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Automotive Interior Environment

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Evolution next 10 years

Interior lighting and Comfort for Better User Experience.

- Interior Lighting and Differentiation
- HMI – Human Machine Interface
- Driver Monitoring
- Materials & Sustainability

Automotive Lighting/Interior Environment

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Risks and opportunities

Risks

- Commoditization of some segments
- Arrival of newcomer's OEMs and their suppliers..

Opportunities

- Innovations in Safety.
- Innovations in design.
- Innovations in communication.
- Integration new functions.

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Philippe Aumont

DVN

- ***2018-*** General Editor – DVN Interior
- ***2002-2017*** CTO Faurecia Seating, Product Planning VP
- ***1995-2002*** Interior Business Development, Johnson Controls, and various positions
- ***1985-1995*** Roth Frères, various positions.
- ***1979-1985*** The Timken Company – various industrial positions

Round Table

The participants at the Round Table

Chairman : Philippe Aumont

Klaus Matauschek
CTO Valeo Lighting

Hossein Nafari
CEO Mind Lighting

Kamislav Fadel
CTO OPMobility

Raj Vazirani
CTO Marelli AL&S

Patrick Nebout
CTO YanFeng

Round Table

The three themes

1. Disruption of New OEMs and Suppliers.
2. Implications of Front – Rear – Interior Light Customisation.
3. Changes & Opportunities of New Lighting Functions, Technique, & Technologies.