

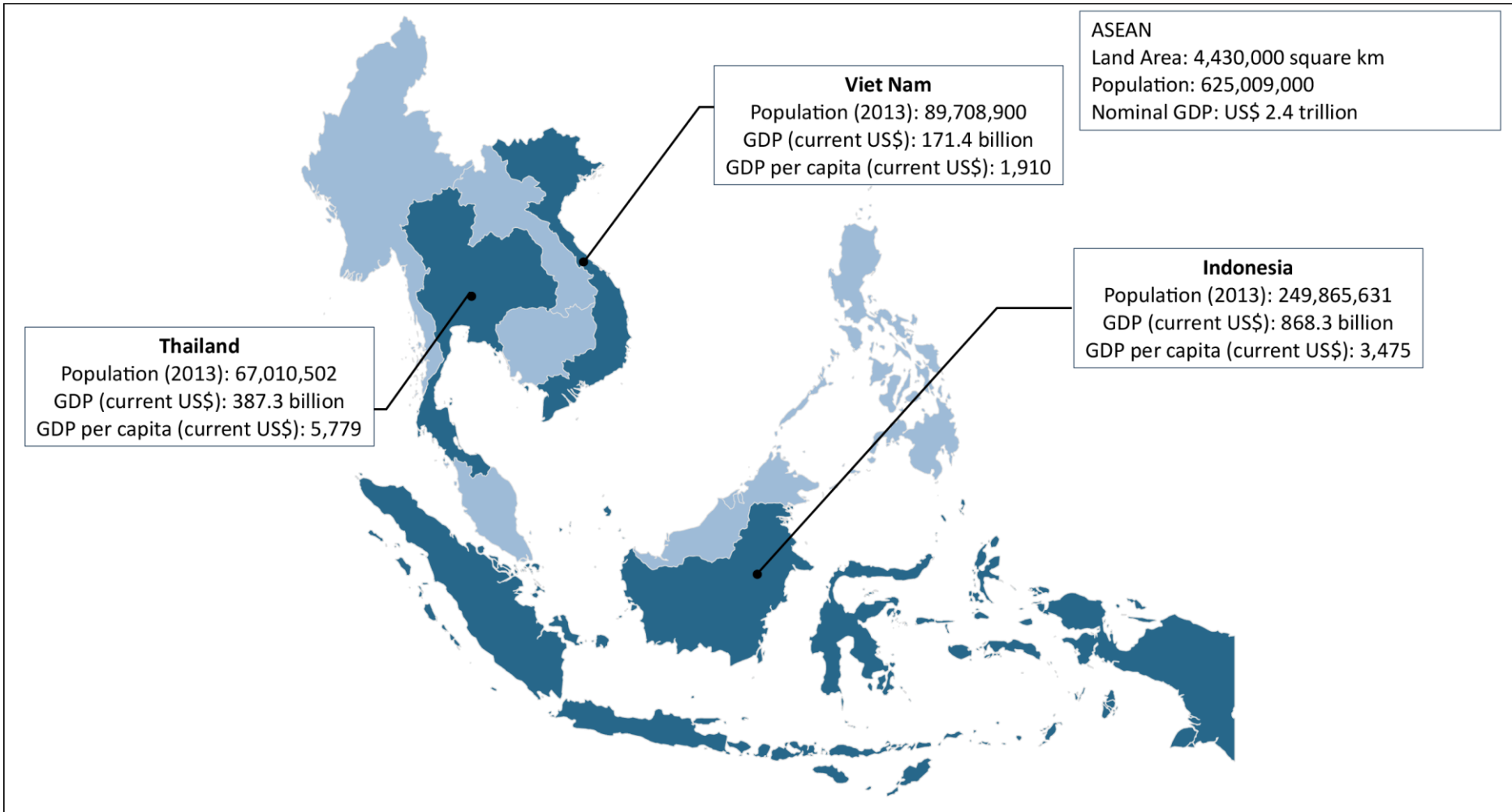


ASEAN's Automotive Race – Indonesia and Vietnam Drafting Thailand

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Indonesia and Vietnam Country Managers
Tractus Asia Limited**

**Prepared for:
Automotive Focus Group
27 February 2015**

ASEAN Revving Up?



Source: World Bank Data 2013

Breaking News!



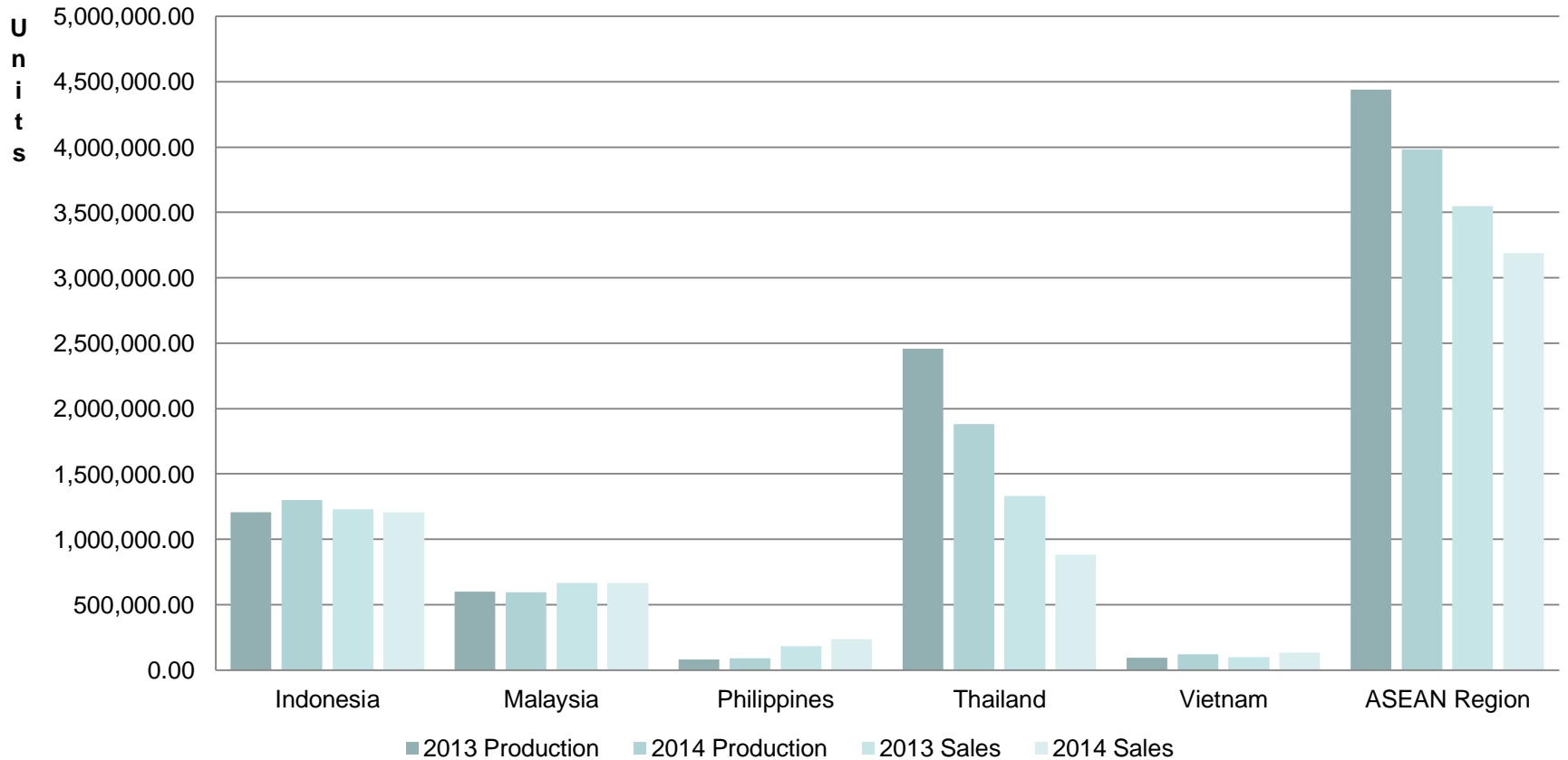
- *General Motors just announced that it will be closing its Indonesia manufacturing plant*
- *Retrenches in Thailand, ceasing production of the Chevrolet Sonic*

- *Ford, GM, Toyota, Hyundai and Kia report slumps in emerging markets*

Source: Reuters

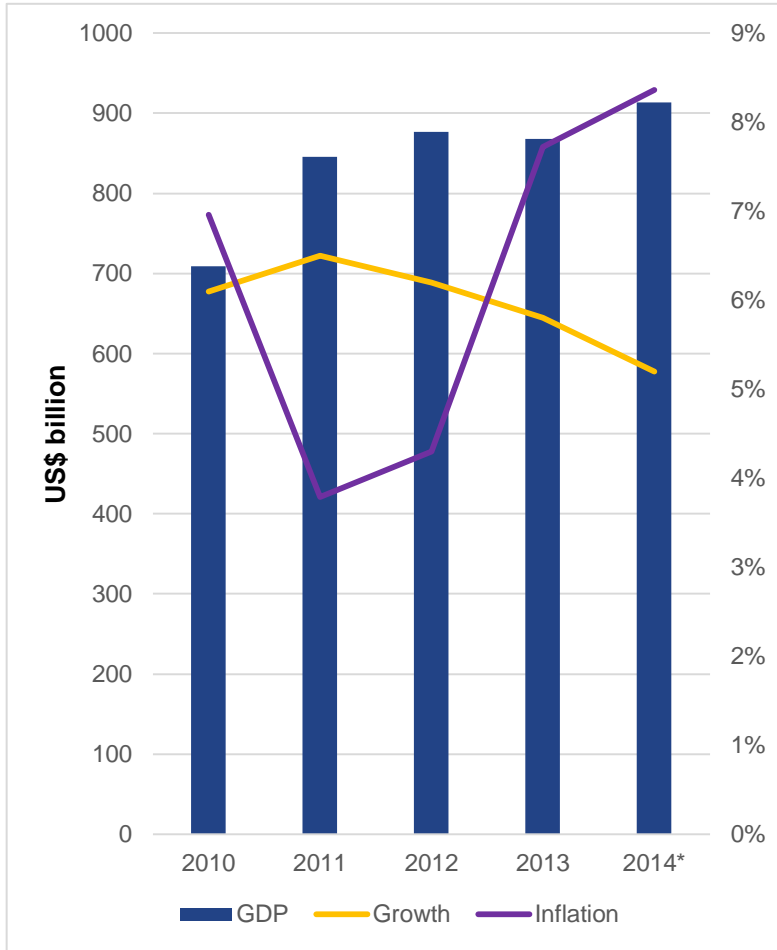
A Parking Lot Filled with Diversity

ASEAN Auto Production and Sales



Source: ASEAN Automotive Federation

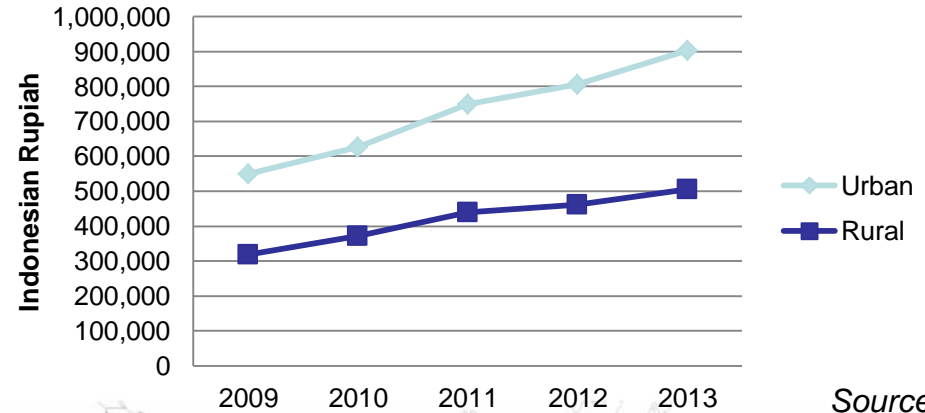
Indonesia Building Momentum



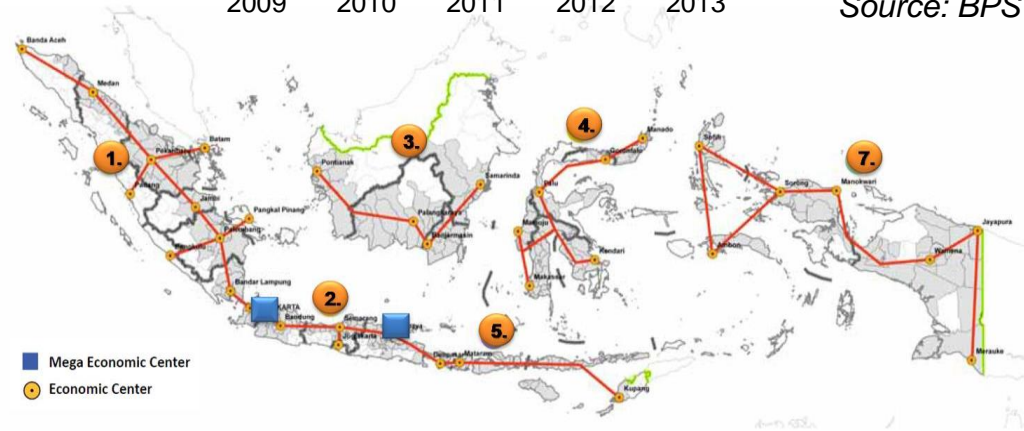
*2014 GDP figure is estimated
Source: World Bank, Bank Indonesia

Avg. Monthly Per Cap Expenditure

Avg. 2013 FOREX:
10,419 IDR / 1 USD



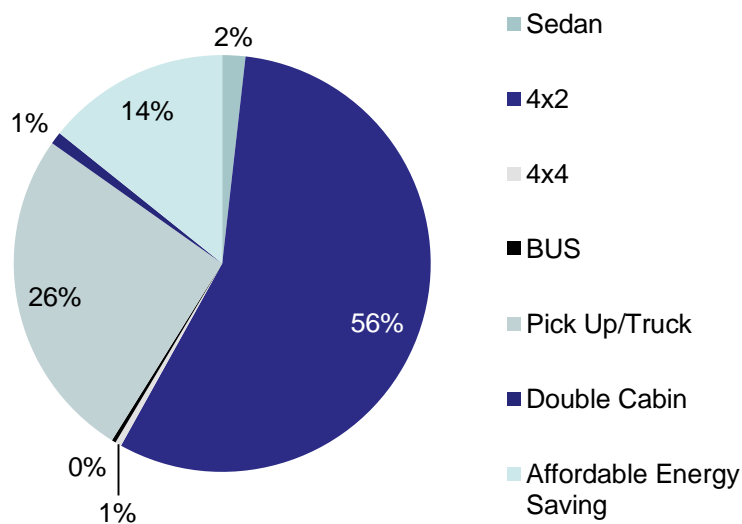
Source: BPS



- 1. = Sumatra EC
- 2. = Java EC
- 3. = Kalimantan EC
- 4. = Sulawesi EC
- 5. = Bali – Nusa Tenggara EC
- 6. = Papua – Kep. Maluku EC

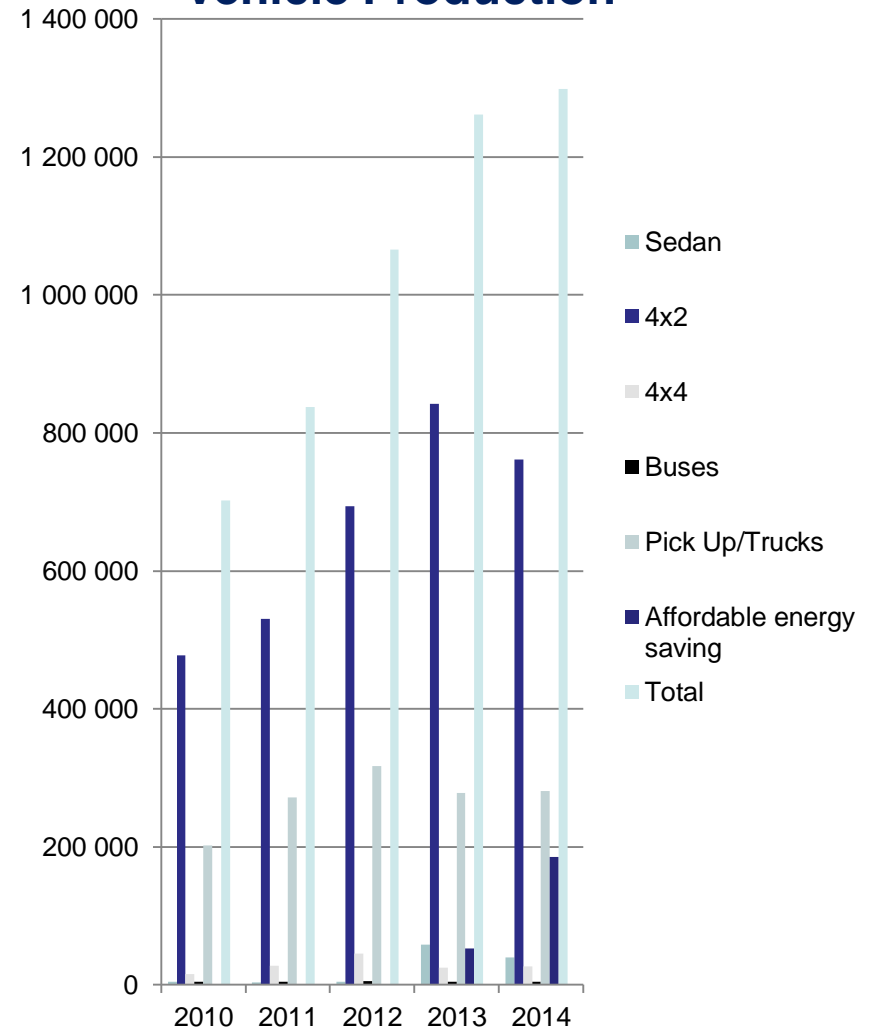
Indonesia Autos Picking Up Speed

2014 Vehicle Sales by Type



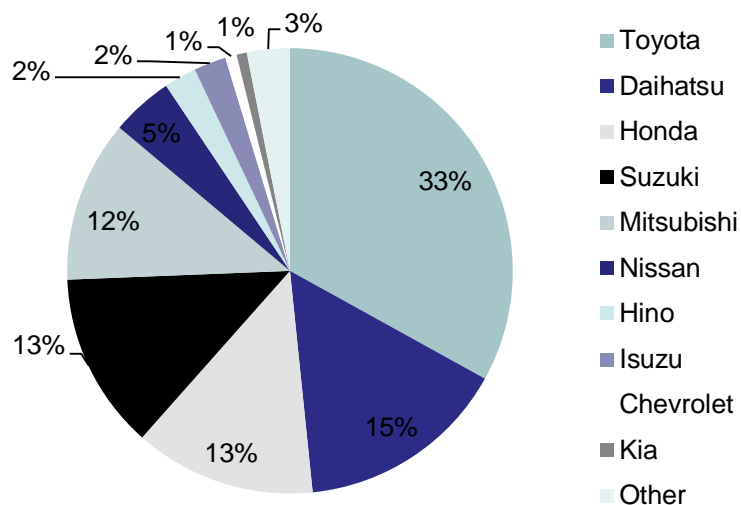
Source: Gaikindo, BPS

Vehicle Production



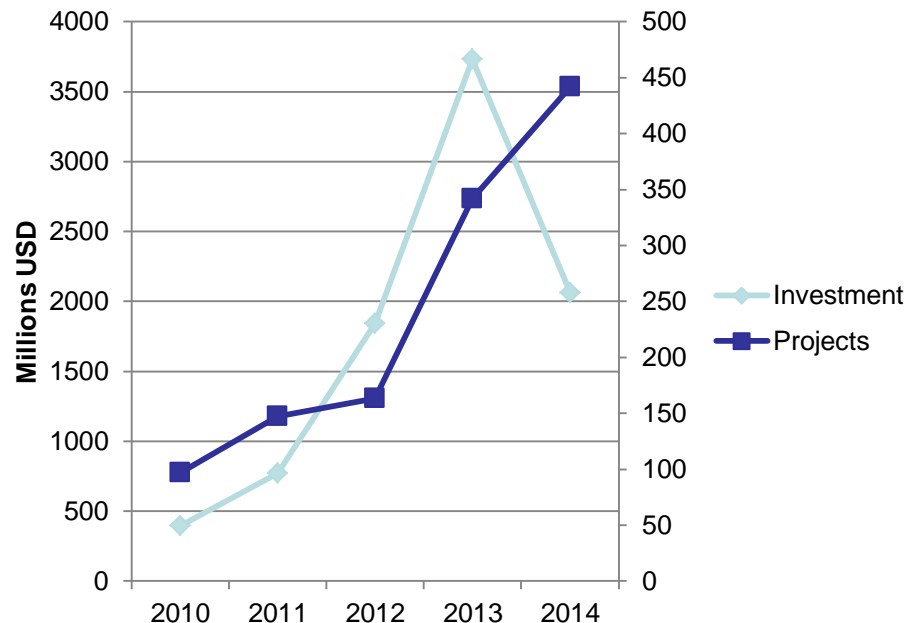
Japanese in Pole Position, Others Looking for an Opening

2014 Vehicle Sales by Make



Source: Gaikindo, BKPM

Motor Vehicles & Other Transport Equip.



Toyota investment plan for 2012 – 2017: \$1.1 billion

GM-SAIC-Wuling joint venture 2015 minivan factory: Estimated value \$700 million

Suzuki 2013 investment for passenger car factory: \$611 million

Mitsubishi 2014 investment for passenger car factory: \$600 million

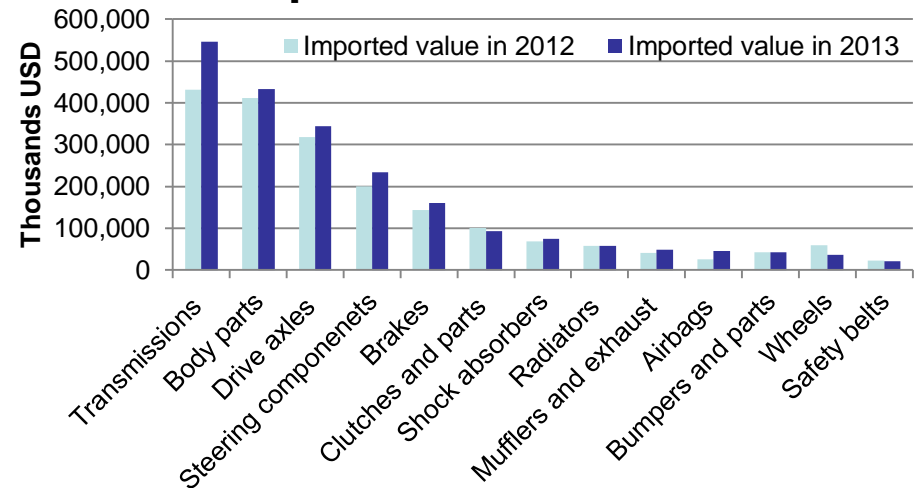
KamAZ Assembly Plant 2014: Investment value not announced

Tata 2013 Expansion of Retail and Service Network

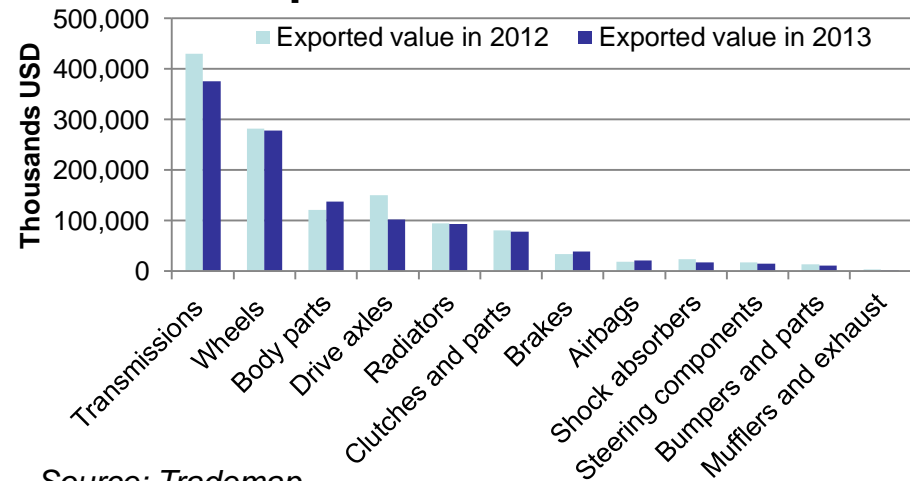
The Pit Stop can Use Some Work



Imported Auto Parts



Exported Auto Parts



Source: Trademap

Opportunities, Headwinds, and Cruising On

Opportunities

- + 250 million people and emerging consumer class (80/1,000 vehicle ownership, \$3,500+ per cap GDP); large and relatively cheap labor force
- + GDP growth over 5%
- + Improvements to infrastructure and government support for the automotive industry; increasing demand outside Java
- + Increasing demand for support industries and services with associated investments starting to grow

Headwinds

- Economic Challenges in 2015: relatively high inflation (7%), devaluing rupiah, high interest rates (7.5% benchmark) decreasing exports and imports, global competition
- Political Challenges: new President with opposition controlling congress, worsening foreign policy, whimsical nature of government policies
- Increasing protectionism

Eye on the Prize



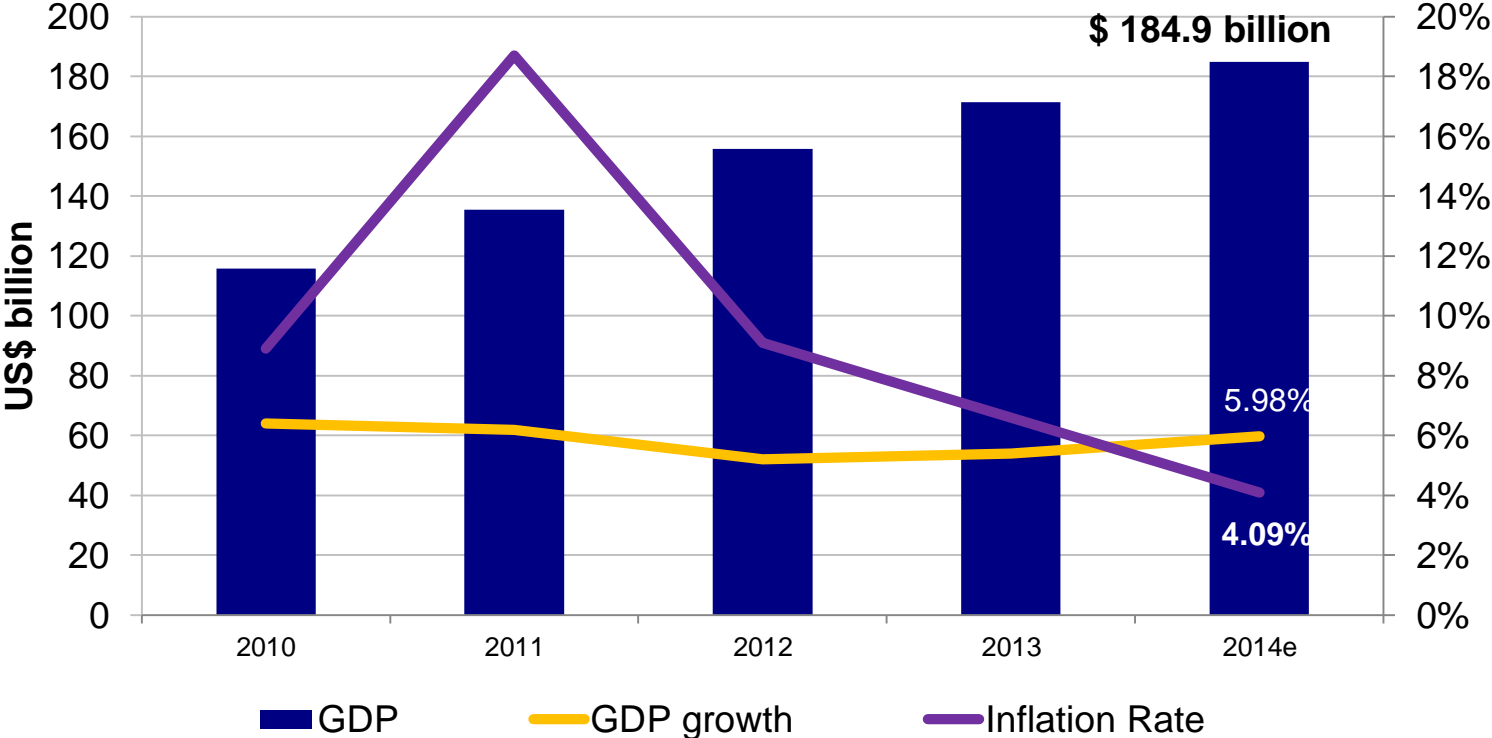
Automotive sales to reach around 2 million units by 2018, almost doubling 2014 sales in 4 years.



If you aren't growing in Indonesia, where are you going to grow???

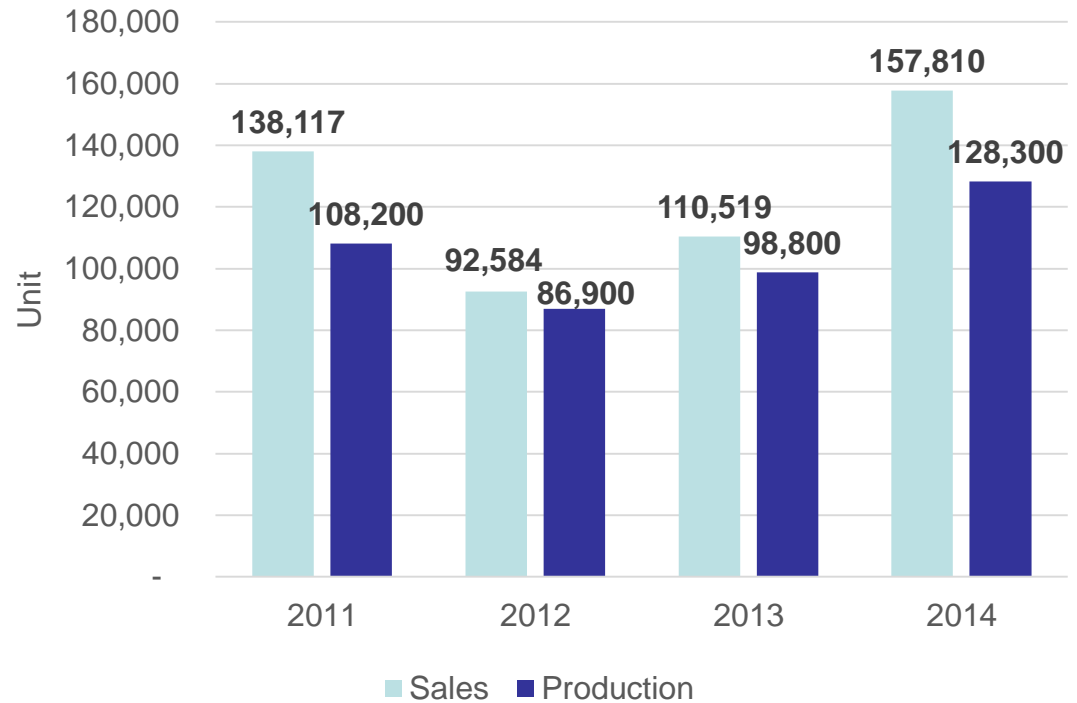
Vietnam Automotive

Vietnam Finding It's Way



Source: World Bank, Vietnam General Statistic Office (GSO)

Vietnam Automotive Industry Still in its Infancy



Source: Vietnam General Statistics Office, VAMA

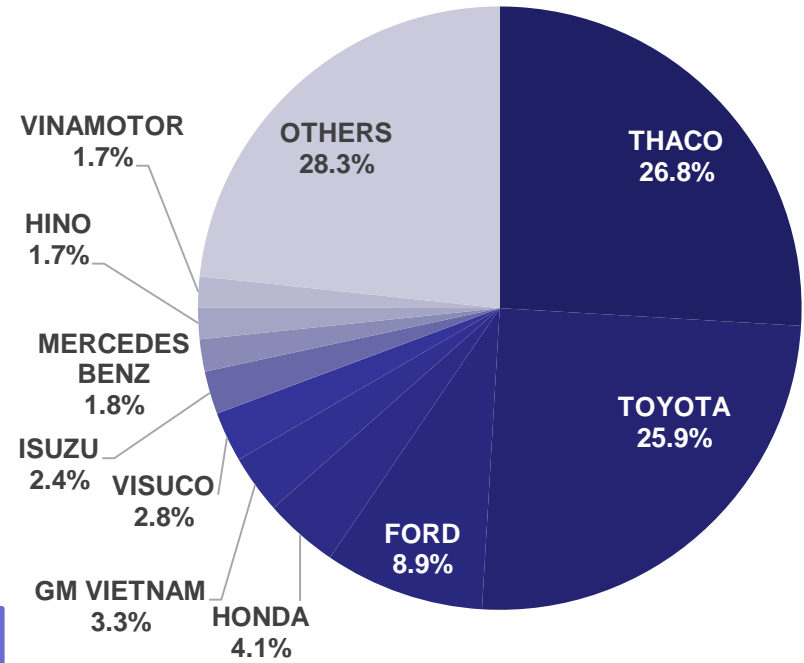
Vietnam #4 Globally in Motorbike Production



Vietnam Hosts 22 OEMs



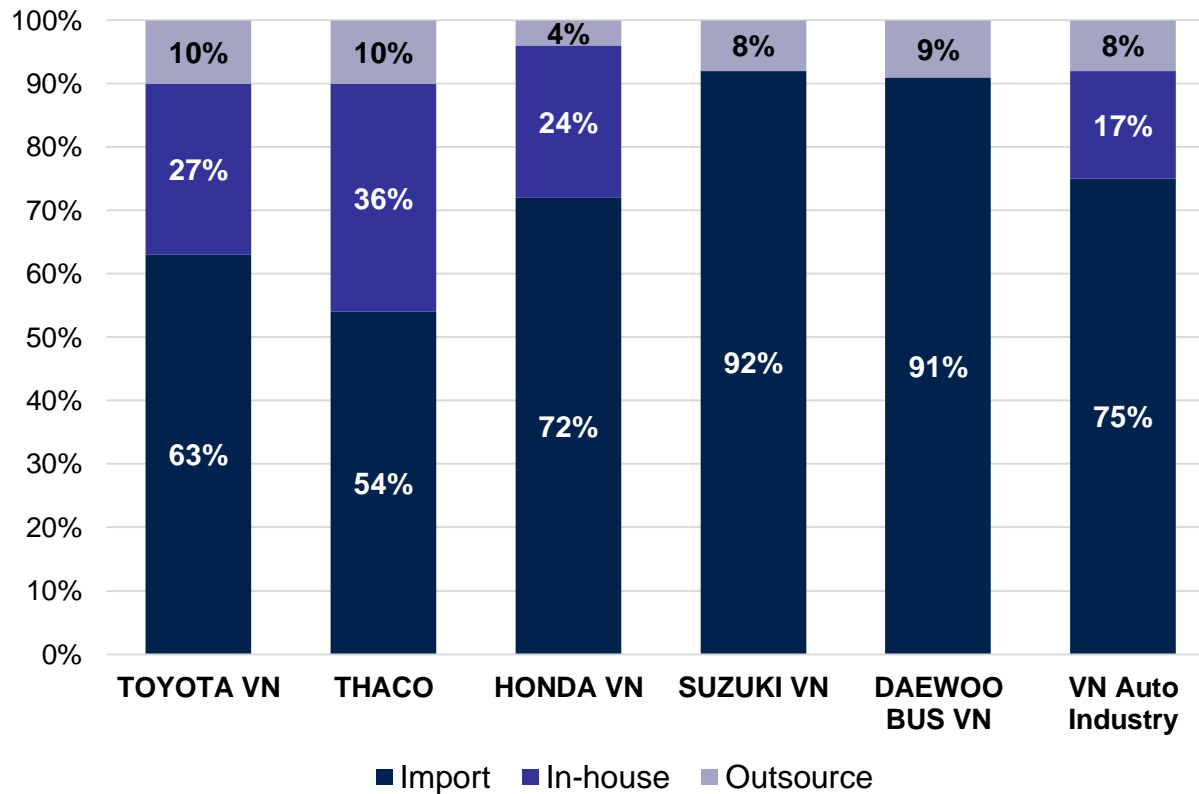
Vehicle sales Market Share



Source: Vietnam Automotive Manufacturers Association (VAMA)

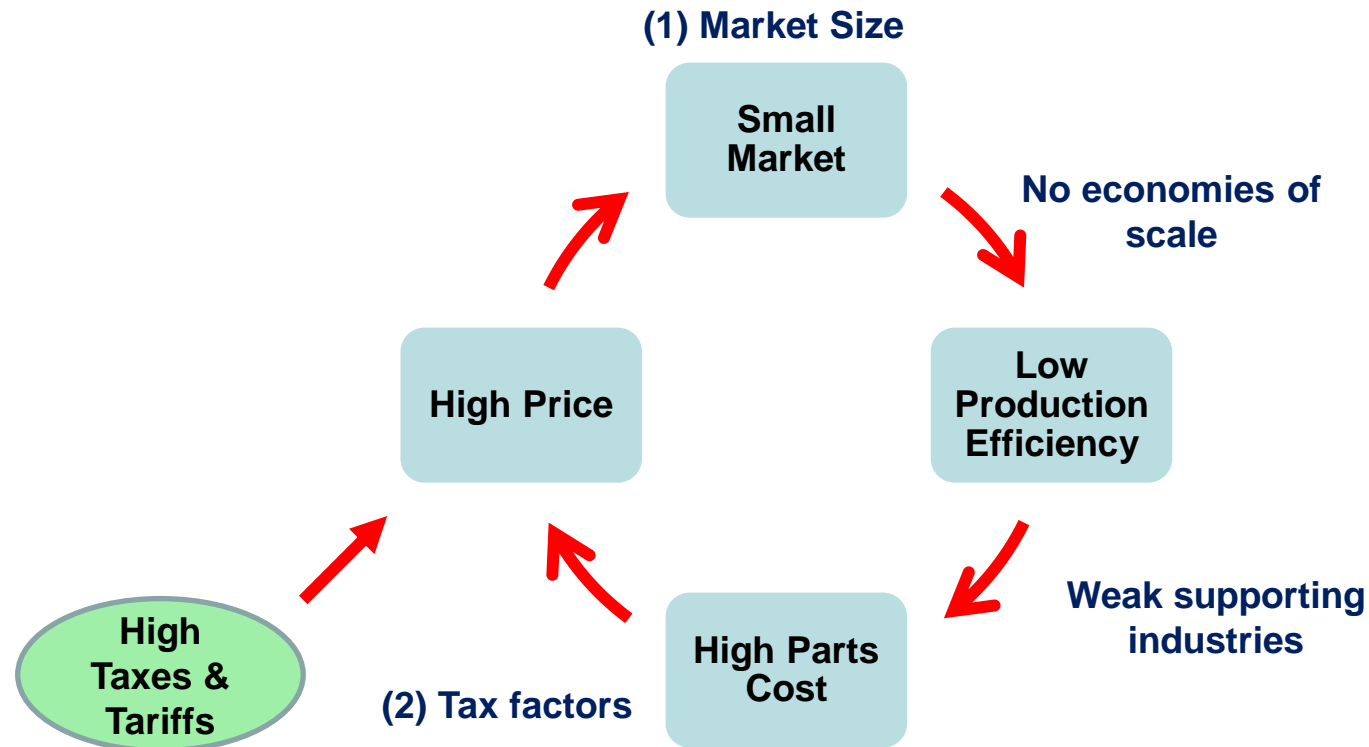
Supporting Industries Remain Negligible

Parts & Components Procurement in VN Auto Industry - 2011



Source: Vietnam Supporting Industry Enterprise Development Center (SIDEK)

Why is Vietnam Automotive Still so Small?



Source: Kenichi Ohno Vietnam Development Forum

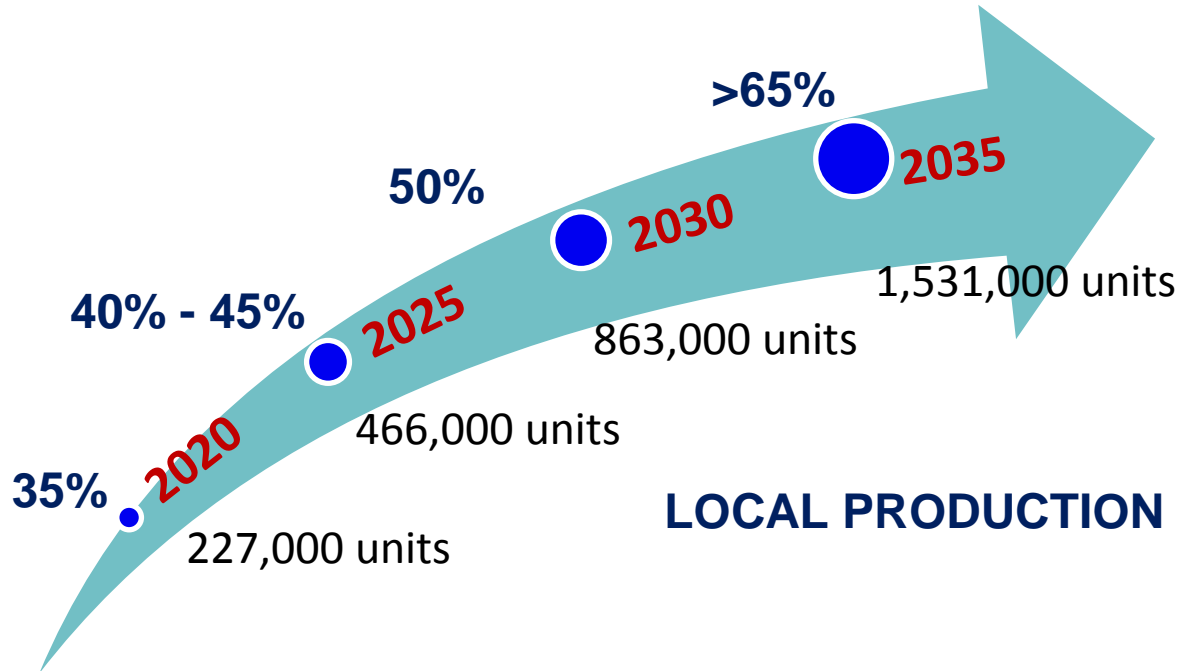
Vietnamese industry is trapped in a cycle where carmakers are reluctant to invest in production without a well developed supplier base and suppliers, for their part, want to see growth potential in vehicle assembly before investing.

Vietnam Aims to Supply Spare Parts and Components to the Global Automotive Supply Chain

Vietnam Central Government Master Plan for Vietnam auto industry – 2020-2030



LOCALIZATION RATE



2014 – Local production: 128,300 units

Source: Decision 1168/QD-TTg, Decision 1211/QD-TTg

Uncertainties Remain on how to Achieve Initiatives

September 20, 2014 3:42 am JST

Toyota official raises specter of ending Vietnamese output

HANOI -- As the looming end of import tariffs stokes fears of cheap cars from abroad, Toyota Motor is urging the government to provide tax incentives for keeping production in Vietnam, with an executive warning that the automaker might otherwise leave.

"Unless the Vietnamese government puts tax and other advantageous measures in place, the worst-case scenario (of withdrawal) is possible," said Kyoichi Tanada, managing officer in charge of the Mekong region.

Vietnam imposes a 50% tariff on imported vehicles. But after the Asean Economic Community is formed at the end of 2015, tariffs in the region will be scrapped altogether in 2018. This paints a threatening scenario in which cars imported from Thailand and Indonesia may carry lower prices than Vietnamese-built vehicles.

Toyota expects to churn out some 40,000 vehicles at its Vietnamese factory this year. But "with the tariff elimination, there will be no economic rationale to keep our production," Tanada said.

"It will be difficult for us to maintain our factory" unless the government introduces tax incentives for cars built in-country, he said.

In July, Prime Minister Nguyen Tan Dung approved a master plan for bolstering the nation's automotive industry, including a goal of having domestically made autos account for around 80% of the market by 2035. But no tax or other specific measures were included.

Toyota is scheduled to end Australian output at the close of 2017.

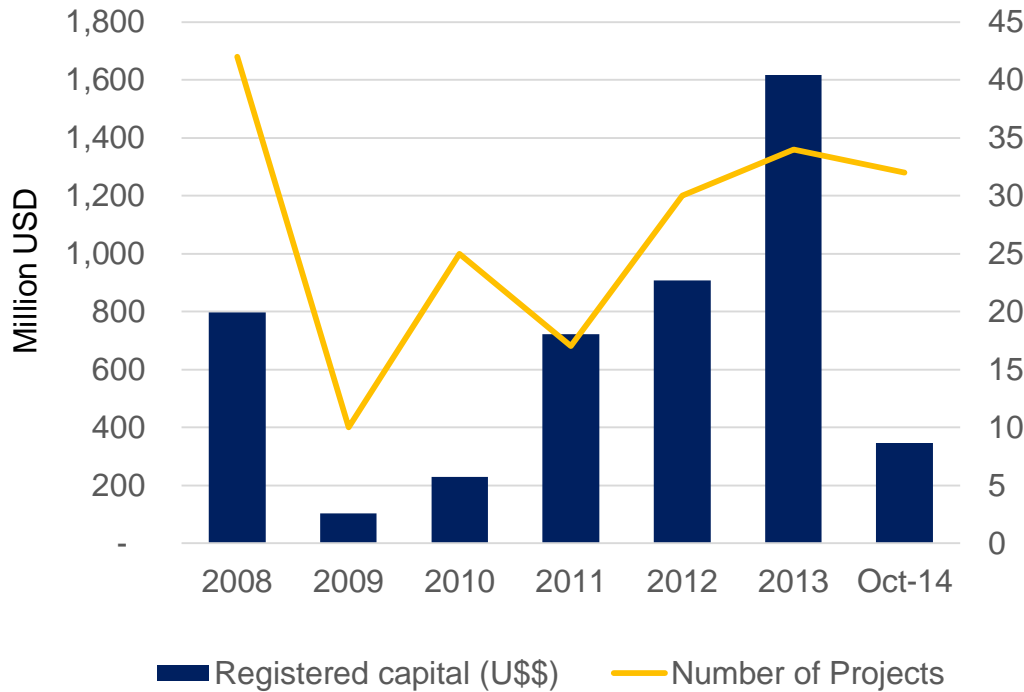
"The time is approaching for us to decide what to do with Vietnamese production in 2018 and beyond," Tanada said.

The Japanese automaker sold upwards of 33,000 autos in Vietnam last year, leading the market with a roughly 30% share.

- There is no specific plan to bolster the development of supporting industries
- There is no clear plan to reduce local taxes to make automobiles more affordable and increase demand
- With the full implementation of AEC by 2018, import tariffs on CBUs will go down from the current 50% to 0
 - Will be more competitive to import cars from other ASEAN nations

Foreign Investment in Vietnam Auto Industry

FDI in Vietnam Automotive Industry



*2014 data for months Jan - Oct

Source: Foreign Investment Agency - Ministry of Planning and Investment

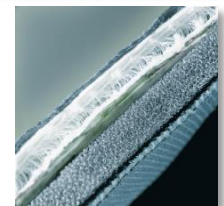
RECENT INVESTORS



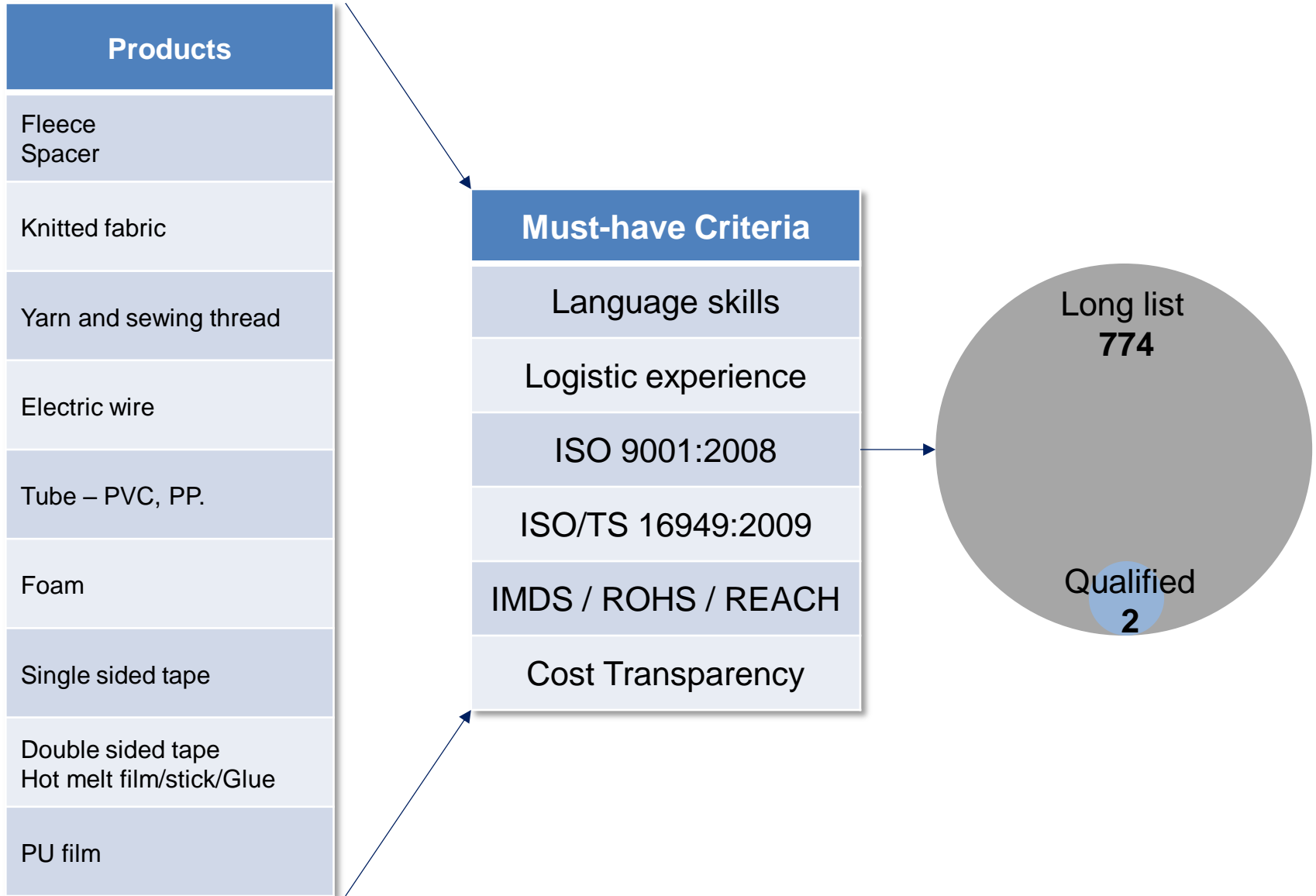
CASE STUDY – GENTHERM ASIA VIETNAM FOOTPRINT



Gentherm Inc (Gentherm), is a NASDAQ-listed global developer and marketer of thermal management technologies for a range of heating and cooling and temperature control applications. Its principal product was its Climate Control Seat (CCS), which it sells to automobile and light truck original equipment manufacturers or their tier one suppliers.



LIMITED AUTOMOTIVE SUPPORTING INDUSTRIES



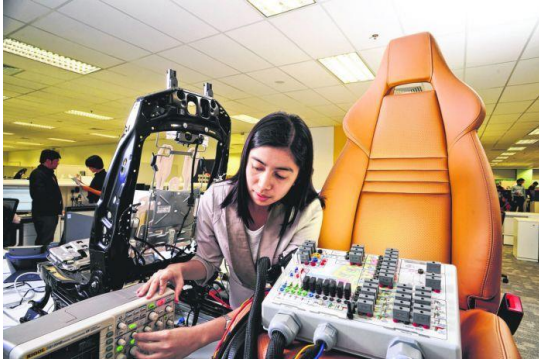
Who's Next?



**Vietnam Market will continue growing
Whether that growth will be supplied locally is another question**

Vietnam has labor costs advantages that can be used to support auto industries in other countries

AEC Making Business Easier?



Skilled Labor Mobility

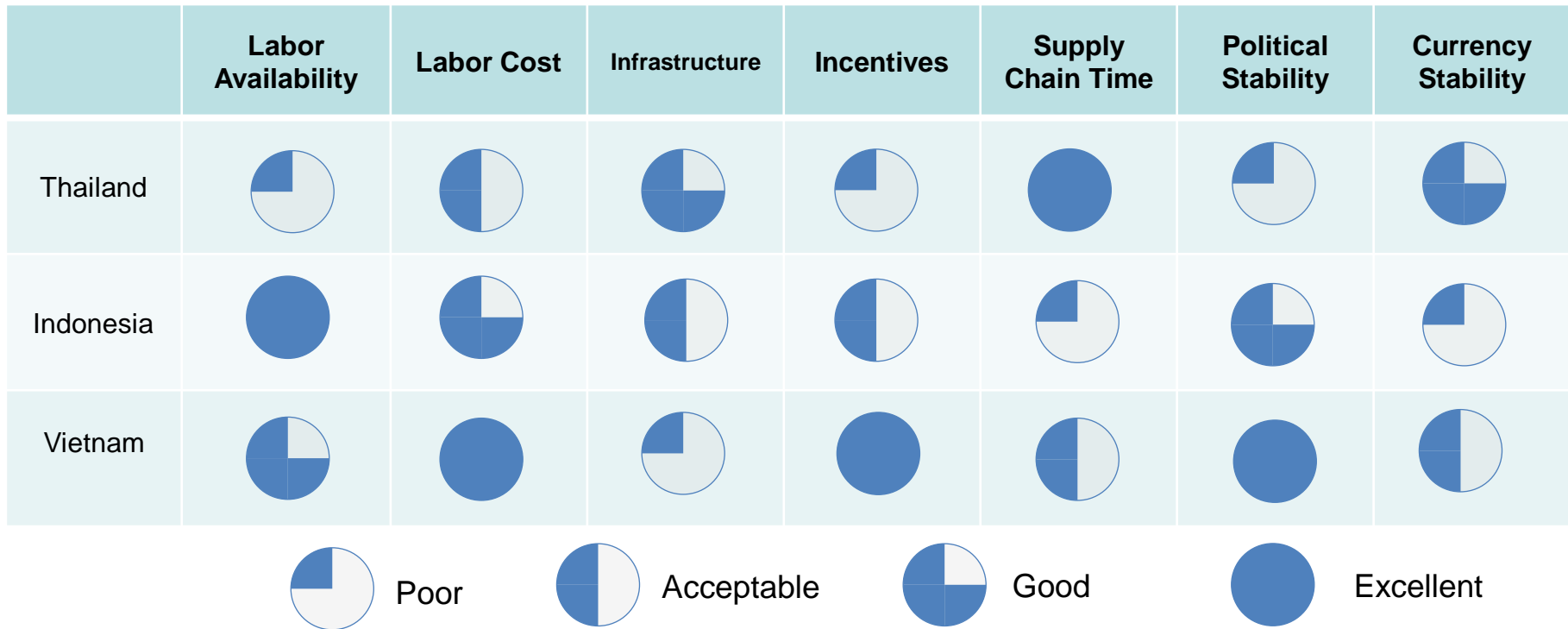


Improved Connectivity



Improved Flows of Capital & Investment

Thailand in the Lead, Indonesia Closing the Distance, Vietnam Lagging Behind



Thailand: Largest, most established auto industry in SEA, strong exports, slowing domestic sales, business friendly operating environment, localized support industries, political volatility

Indonesia: Largest population and growth potential, increasing production and sales with continued investment, growth in supporting industries, politically stable, economic headwinds

Vietnam: Relatively small automotive market, investments into components for exports, politically stable, favorable labor costs, abundance of industrial zones

ASEAN Automotive Traveling On



Thailand established in both vehicles and components, supporting the local market, the region, and the world



Indonesia automotive industry fuelling the local market and expanding its support services



Vietnam to focus on supplying components for export

Antonio Sequeros – Consulting Manager



Antonio Sequeros

Antonio is the Consulting Practice Lead for South East Asia with overseeing responsibilities in Asia and management responsibilities in Vietnam-focused projects.

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Mr. Sequeros began working with Tractus in 2002 and was responsible for the set-up of the firm's Vietnam office in 2007. He currently is the Consulting Practice Lead for South East Asia with overseeing responsibilities in Asia and management responsibilities in Vietnam-focused projects.

During his time with Tractus, Mr. Sequeros has been directly involved in the strategy and feasibility studies of multinational manufacturing investments in Asia; including site selection and market research projects. He worked in a variety of sectors, including garments, electronics, automotive, consumer goods, minerals and manufacturing, among others.

Some of his recent project work includes:

- Industrial assets purchase negotiation and investment implementation project in Vietnam
- Real estate negotiation for land acquisition for automotive components manufacturing project in Vietnam
- Site selection in Vietnam, Indonesia and India for a global automotive components manufacturer
- Supplier identification and evaluation in South East Asia and India for steroid sapogenins
- Site selection in South East Asia for a hard disk drive components manufacturer;
- Site selection in Vietnam, Cambodia Indonesia and Laos for a leading Asian garment manufacturer;
- Market research and entry strategy in Vietnam for one of the world's leading manufacturers of residential and commercial water heating equipment;
- Site selection and strategy India, Mexico China for a US hand tools manufacturer
- Site selection in Thailand and Malaysia for a leading semiconductor company

Prior to joining Tractus, Mr. Sequeros managed the Spanish Chamber of Commerce in Hong Kong and worked for Invest Hong Kong, the Hong Kong government's investment promotion agency. In these positions, Mr. Sequeros provided advice and assistance to foreign investors looking to enter the market and structure their local businesses. He has also worked as a trade officer in the Spanish Economic and Trade Office in Vietnam, where he was responsible for identifying business opportunities across the country and analyzing key industry sectors.

Mr. Sequeros is a member of the American Chamber of Commerce in Vietnam. He earned his degree in business administration from universities in Spain, Holland and France. He is fluent in Spanish, English and French, and has a working knowledge of Vietnamese.

Daniel Bellefleur - Consultant



Daniel Bellefleur

Daniel is the Indonesia Country Representative and Consultant for Tractus Asia, overseeing both domestic and ASEAN based projects

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Mr. Bellefleur joined Tractus in 2012 to establish the Tractus Indonesia corporate entity, roll out business development activities, consult on Indonesia based initiatives and cooperate on regional projects.

As the Chief Country Representative to Indonesia, Mr. Bellefleur is responsible for all in-country operations. Aside from implementing local and regional projects and building the Tractus network in-country, Daniel manages local staff to support client needs in the archipelago. With the expanding economy and emerging middle class, Tractus expects ample opportunities for foreign investors in Indonesia. Below are a number of projects Daniel has worked on:

- Ecofys – Supply chain analysis of used cooking oil in Indonesia
- Emerging Markets Consulting – Market research on Indonesian preparedness for the ASEAN Economic Community 2015
- Minerals Technologies – Facilitating the company’s human resources in-country
- Gentherm – Analyzed Indonesia sites for potential manufacturing investment
- US Chamber of Commerce and AmCham Hong Kong – Supported two trade missions to Myanmar
- Two international law firms – Southeast Asian site selection analysis for BPO operations
- AKW – Analysis of Indonesian market for mineral processing technology and customer outreach
- Nova-Tech Engineering – Indonesia contracting, tax, and import export regulatory analysis and customer liaison
- Fredskorpset – Project manager for Asia expansion
- AmCham Indonesia – Vice-chair AmCham ASEAN Committee

Prior to joining Tractus, Mr. Bellefleur worked at the American Chamber of Commerce Indonesia as a Policy Advisor conducting analyses with local advisors at the Indonesian Chamber of Commerce (KADIN) and the Indonesian Employers Association (APINDO). The team researched and delivered comprehensive papers to USAID on subjects such as renewable energy, entrepreneurship, and local manpower laws. Daniel has a Master’s Degree in International Affairs from the University of Wisconsin, Madison with a focus on Southeast Asian Economics. Daniel also has significant experience in Thailand where he researched numerous topics at the U.S. Consulate and worked as a Peace Corps community development advisor in Northern Thailand.

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