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News From The Global Automotive Aftermarket Symposium

Look For International Flavor as 2008 Global Symposium "Shifts Forward"



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To emphasize the dramatic changes taking place in the aftermarket and how companies can gain a competitive edge, the theme for the 2008 Global Automotive Aftermarket Symposium is "Shift Forward." This year's Symposium will be held May 20-21 at the Hyatt Regency O'Hare in Chicago and will cover most sectors of the global aftermarket economy giving it a distinctively "international" flavor.

A perspective on the aftermarket in China will be provided by Steve Ganster, a founder of Technomic Asia and the managing director of the organization. Ganster has extensive experience across multiple industries and geographies through over 25 years of international consulting.

Fotios Katsardis, managing director of TEMOT, Europe's largest aftermarket parts program group, will look at the opportunities for U.S. manufacturers and distributors to work with the EU independent aftermarket (see related article on p. 2)

A view of the global car market will be supplied by Neil De Koker, founding president of the Original Equipment Suppliers Association (OESA). In his presentation, "The Shifting OE Scene from Detroit to Tokyo, to Shanghai, to New Delhi," De Koker will provide a current overview of the original equipment market and the opportunities available to the aftermarket.

William A. Strauss, senior economist and economic advisor, Federal Reserve of Chicago, will look at
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No Slowdown Seen In Private Equity Activity

This year's Global Automotive Aftermarket Symposium (GAAS) will include many of the industry's hottest issues, including a panel discussion on "Private Equity and the Aftermarket." The presentation is scheduled for Wednesday, May 21 from 10:30 am to 11:15 am during GAAS 2008 at the Hyatt Regency O'Hare.

"Other than the sourcing of parts from China, I can't think of a hotter issue than the role of private equity money in the aftermarket," said M. Daniel Smith, founder and president, Capstone Financial Group. Smith is serving as moderator of the panel that will also include: Bodil Arlander, senior managing director, Bear Stearns Merchant Banking and Jeremy Thompson, partner, ONCAP.



Dan Smith

"The reason this topic is so vitally important," explained Smith, "is that there is so much private equity money out there looking for a home. These private equity groups have raised much of their money from the hundreds of pension and retirement funds worldwide that need a place to invest their dollars."

With the amount of money sitting around, Smith doesn't see a slowdown in aftermarket private equity investment in the near term. With all this money coming into the industry, Smith says private equity investment is altering the landscape of the aftermarket.

"One of the results of equity investment is that the management of aftermarket companies has become more professional by necessity," said Smith. "We have seen a lot of professional managers come into our

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Fotios Katsardis Will Look at Europe & U.S. Aftermarket

Fotios Katsardis has been the managing director/CEO for TEMOT International Autoparts GmbH for the past three years. Based in Germany, TEMOT is a group of leading warehouse distributors of automotive spare parts with a strong focus on Europe. Katsardis will address “**Opportunities in the Changing European Aftermarket,**” during his GAAS 2008 presentation on Tuesday, May 20.

Prior to joining TEMOT, Katsardis worked in the automotive aftermarket for 12 years with Robert Bosch GmbH. He held various managerial positions with the company, including director of global accounts. In this exclusive interview with *Global Review*, Katsardis gives a preview of his upcoming GAAS presentation.

How would you describe TEMOT in relation to U.S. marketing groups like the Alliance?

The European groups differ massively from the American ones. For example, the Automotive Aftermarket Parts Alliance (AAPA) can take approaches for centralized services such as warehousing, billing, training programs, etc. This is more difficult in Europe. Temot International makes a great effort to bind, under extremely high complexity, its 23 shareholders who are active in 29 countries from Finland to Israel. Our adversities are not only at the level of understanding and pursuing common strategy but above all on bypassing the challenges arising from too many different countries, strong national prides, different standards, infrastructures, legal regulations, cultures, languages and economic development levels. We are looking for the best way to converge, but in comparison to AAPA, we will still need ages to achieve the extraordinary level of coherence and discipline of our dear American colleagues.

In that way, our role is the one of a network integrator, bringing the right people together to exchange experience, create and benefit from synergies and know how transfer, cooperate in projects,

develop common strategic approaches and understand the market dynamics better. We assist in streamlining processes and setting the path for more efficiency and cost savings to the benefit of our shareholders. Market monitoring, optimization of the supply chain by cutting costs, adoption of common EDI solutions, product projects and instruments, and concentrating to common suppliers are a few elements of the perceived value creation of our group towards sustainable growth.

How would you compare the European aftermarket to the U.S.?

It seems that the U.S. and European aftermarket have nothing else in common but the needs of the customers which are in any case universal. First of all, we should speak about a comparison between the U.S. and UK, French or German aftermarkets, but not a European one. It is extremely complex to do that with the latter as beyond the geographical definition; there is no other kind of coherence to assist us in pursuing comparisons on an aggregated level.

Overall, the European automotive industry played a historical role in the development of the continent. The vehicle manufacturers (VMs) in Europe are heavily involved not only in their upstream but also in the downstream activities. As a result of that, the aftermarket unlike the U.S. is balanced. Fifty percent of the repair business belongs to the pure independent aftermarket (IAM) sector and the other 50 percent is under the control of the VMs and their dealers network (OES). This is nevertheless only a weighted approach as the situation varies significantly from country to country and above all product to product category. Western European markets are rather saturated but Eastern European markets show unprecedented dynamism. Enormous growth rates have been achieved there regularly over the 10 last years.

What is different in Europe and the U.S. is definitely the car parc. There is no homogeneous pattern but a huge discrepancy

by means of brands, displacement, average age and size of the fleet in question. In France, PSA (Peugeot-Citroen) and Renault dominate the market with share above 50 percent.

Whereas in Germany VW, Mercedes, BMW and Opel (GM), Ford with their local production are by far the leader. Asian VMs have a greater than 10 percent share in Italy but above 30 percent in Greece and Finland. Diesel engines play also a very important role in Europe. In France, Belgium, Austria over 65 percent of the circulating stock is diesel equipped. The new common rail diesel technology from Bosch, Denso, Delphi and VDO Siemens has altered the image of the dirty and smoky motors and captured the attention of all parties: low consumption, high output, extreme torque and reduced emissions. There is a discussion about hybrids which attract a little bit more interest, but the European market is clearly in favor of diesel technology.

The average age of the car parc is also varying heavily. There are countries where the age is no more than 8 years old and others where more than 50 percent of the cars are above 12 years old. The distribution channels are also different than in U.S. There are consolidated and extremely fragmented markets. The biggest one (Germany) is rather consolidated with 5-6 players having above 50 percent of the market whereas in France, Italy and Spain one could hardly find any sole national distributor. In Eastern Europe the situation is still under development. Most of the players have prob-



Fotios Katsardis

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Global Automotive Aftermarket Symposium

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GAAS Scholarship Application Deadline Approaches Soon

Over 100 Global Automotive Aftermarket Symposium (GAAS) scholarships will be awarded in 2008 to students planning automotive aftermarket careers. The application process is now entirely electronic through the GAAS scholarship Web site, www.automotivescholarships.com.

The application deadline is Monday, March 31, 2008. Complete application rules are available at the website. A separate application for Canadian students is available from the Automotive Industries Association (AIA) of Canada at 613-728-

5821, or at their organization's Web site: www.aiacanada.com.

Like last year, when a student fills out one application at the GAAS website they could be eligible for 15 other scholarships offered by state trade associations, along with industry companies and associations. Each of the groups have their own guidelines for awarding scholarships.

While priority is given to those pursuing an industry career, students whose parents work in the automotive aftermarket (whether or not they are seeking



an automotive career) are also given strong consideration. ♦

No Slowdown Seen In Private Equity Activity (cont.)

(Continued from page 1)

industry, in addition to an upgrade in the skills of those already involved. As a result, financial reporting procedures have improved considerably.”

Smith notes that once a private equity firm invests in the aftermarket, many times they will look to make other acquisitions for strategic reasons. He says this is furthering the pace of consolidation.

Private equity has assisted both manufacturers and WDs, and Smith says this has been especially helpful with expansion plans.

He said the reason private equity firms continue to look at the aftermarket as a good place to invest their money include: good demographics, steady growth, and improved vehicle life.

As head of Capstone Financial, Smith leads a diversified investment banking firm that assists owners of privately-held companies with their financial needs, including recapitalizations, acquisitions, divestitures and other corporate finance services. Capstone has specialized in transactions in the automotive aftermarket industry for 18 years. It has represented more than 40 aftermarket companies and has been involved in several of the industry's more prolific mergers, acquisitions, refinancings and turnarounds.

With extensive hands-on experience as an entrepreneur and investment banker,

Smith has owned, operated, built and sold several substantial enterprises, including an \$80 million holding company with eight subsidiaries in seven states. His companies were ranked for two consecutive years in the INC. 500 list of America's fastest growing privately held companies. He sold these companies in 1987 and founded Capstone in 1988.

Smith was graduated from Davidson College with a B.A. degree in economics (Cum Laude, Phi Beta Kappa) and received an M.B.A. degree in finance from Duke University.



Bodil Arlander

Arlander has been intimately involved in the sourcing, evaluation, negotiation and execution of numerous transactions involving private equity investments by the Bear Stearns Merchant Banking group. Her areas of interest include retail, apparel and other consumer products.

Prior to joining Bear Stearns, Arlander was a vice president in the mergers and acquisitions group of Lazard Frères & Co. LLC, where she spent six years working on a variety of transactions for domestic as well as international clients. Prior to entering the finance industry, Arlander worked in various European countries in the fash-

ion and beauty industry.

Arlander holds a B.S., summa cum laude, from New York University. She also attended the Swedish School of Economics and Business Administration in Finland prior to moving abroad. Arlander is a director of Aéropostale, Inc. (NYSE: ARO), New York & Co., Inc. (NYSE: NWY), CamelBak Group, LLC and Transamerican Autoparts Co., LLC.



Jeremy Thompson

Thompson is involved in all aspects of ONCAP Management Partners investment activities, including sourcing opportunities, negotiating and structuring transactions, and working with management teams after ONCAP's initial investment.

Prior to joining ONCAP, Thompson was with Oak Hill Capital Management, Inc. in New York. He began his career in the Leveraged Structured Finance department of the Investment Banking Division of Goldman, Sachs & Co. in New York.

Thompson graduated with honors from Queen's University in Kingston, Ontario Canada with a B.A. degree. ♦

Look For International Flavor at 2008 Symposium (cont.)

(Continued from page 1)

the state of the U.S. economy and the near-term outlook. He will look further at the health of the automotive sector and the overall global economy.

Finally, Mike Hanley, partner and global automotive industry leader, Ernst & Young, will share trends and insights from his company's work among the many diverse industries they work with around the world. These "mega trends" have or will soon impact the global automotive industry, including: consolidation and restructuring, operating profit issues, regulatory compliance and risk management, emerging markets and preserving knowledge and competency.

In addition to a global viewpoint, "hot" topics relevant mainly to the U.S. aftermarket will be covered, including: telematics, private label vs. branded products, promoting dialogue among suppliers

and technicians, the importance of government affairs to a company's overall strategy, and a look at how today's independent repair shop's make their choices when it comes to selecting one parts source over another.

GAAS is also well known for the latest information on the financial sector of the industry. A panel will look at "Private Equity and The Aftermarket" and Tony Cristello of BB&T Capital Markets will return to look at "Wall Street's View of the Aftermarket."

In addition, R.L. Polk & Co. will present their Inventory Efficiency Awards for 2008 and John Washbush of the Affinia Group, will convene a panel of the next generation leaders titled "Family Affair" that will look at issues related to family owned businesses in the aftermarket.

To view a complete agenda for the 2008 Symposium and speaker bios, visit www.globalalsymposium.org. ♦

GAAS Savings End Soon

Register for GAAS 2008 by Monday, March 24 to receive the early bird discount of \$200. Registration fees are \$745 for the sponsoring associations' members' first registrant and \$645 for each additional representative. After March 24, fees increase to \$945 for an association member company's first registrant and \$845 for each additional representative.

Early registration for individuals whose firms or organizations are not a member of any of the sponsoring associations is \$945 for the first registrant and \$845 for each additional representative. After Monday, March 24, fees are \$1,145 for the company's first registrant and \$1045 for each additional representative.

GAAS program registration information is available from the sponsoring associations or online at www.globalsymposium.org. ♦

Fotios Katsardis Will Look at Europe & U.S. Aftermarket (cont.)

(Continued from page 2)

lems not to grow but to manage their growth. The market is very liquid and will still undergo severe structural changes in the coming five years.

What are the opportunities for U.S. manufacturers and distributors to work with the EU independent aftermarket?

The opportunities for U.S. manufacturers are clearly excellent, but to the extent that aforementioned factors should be taken into serious consideration. The experience shows that trying to master the complexity alone and ex U.S., will not bring anybody very far. The diversity in Europe reflected in the uniqueness of the individual national markets and the customers' expectations will reject a non-comprehensive solution. The chances are better if we are speaking about a mass customized approach tailor made for every market. Intelligent pricing, very good coverage, high logistic aptitude, EDI capabilities, training, hot lines and whatever it takes to make clear what the USPs of the company are, is the "conditio sine qua non" but it is taken nowadays for granted. You need national experts to get the best results and success can only

come through partnership which seems to be the most efficient approach. The often repeated principle "...act local" sounds

"The average European distributor appreciates personal contact, continuity, partnership and wants good local communication. Yet, thoroughly understanding the European culture is impossible because there is not such a thing yet."

trivial, is nevertheless a huge adversity.

The average European distributor appreciates personal contact, continuity, partnership and wants good local communication. Yet, thoroughly understanding the European culture is impossible because there is not yet such a thing. There is a French, German, Italian, etc. one. Consequently, there is an apparent need of such expertise and above all long planning and patience to achieve results as in Europe in several cases things last a little bit longer.

The U.S. companies that are successful in Europe have achieved this type of partnership and are not considered as "American" but as global and

consequently also "European" ones. They show cultural understanding and are equipped mostly with excellent executives.

On the other hand, the opportunities for the U.S. distributors to work with the European aftermarket is rather different. Whereas the chances would be very good almost at every country, it seems that this could only be feasible by means of joint ventures or mergers and acquisitions. Yet, even sound financial entities that invested and still invest a lot of money in some European distribution channels and activities experience the same hard reality that without a concrete concept, good management, persistence and cultural understanding the chances to succeed are rather limited. ♦





GLOBAL AUTOMOTIVE AFTERMARKET SYMPOSIUM

MAY 20 - 21, 2008
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One form per person. If additional copies are needed, please reproduce this form.

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Refund/Substitution Policy

Before April 16, 2008: Cancellations received in writing will be fully refunded, less a \$50 administrative charge.

Between April 16 and May 8, 2008: Cancellations received in writing will receive a 50 percent refund, less a \$50 administrative charge.

After May 8, 2008: There will be no refunds for cancellations.
Attendee substitutions are accepted at any time.

Travel Accommodations

For reservations, contact the Hyatt Central Reservations at **800-233-1234** or the hotel directly at **847-696-1234**. Be sure to mention the Global Automotive Aftermarket Symposium to obtain the discounted group rate.

Rates: \$179 (single or double) plus tax. Rooms are guaranteed at this rate through April 16, 2008.

Discount Air Information: United Airlines offers discount airfare to the Global Automotive Aftermarket Symposium. Mention meeting I.D. code **#501UD** to your travel agent or phone the United Meeting Desk at 800-521-4041.

Registration Fees

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Please note: Collectible lapel pins will be given out on-site at the Symposium.*

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