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Automotive & Transportation Consulting Group

Presentation at
Transics' Investor Relation Day

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VP Consulting Automotive & Transportation EMEA

Frost & Sullivan

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Agenda

0- Brief Introduction

1- Market Overview

- Major trends affecting the transport industry
- Challenges affecting the T&L Operators
- Telematics Drivers and Restrains

2- Market Size & Forecasts

- Total vehicle park market & key breakdowns
- Penetration for Telematics
- Volumes, revenues and growth rates
- Service based revenues

3- Competitive Landscape & Dynamics

- Competitive forces and limitations
- Vehicle manufacturers vs. Aftermarket players

4- Market Analysis Conclusions

- Key Opportunities
- Telematics Value Proposition and ROI

5- Questions & Answers

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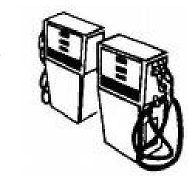
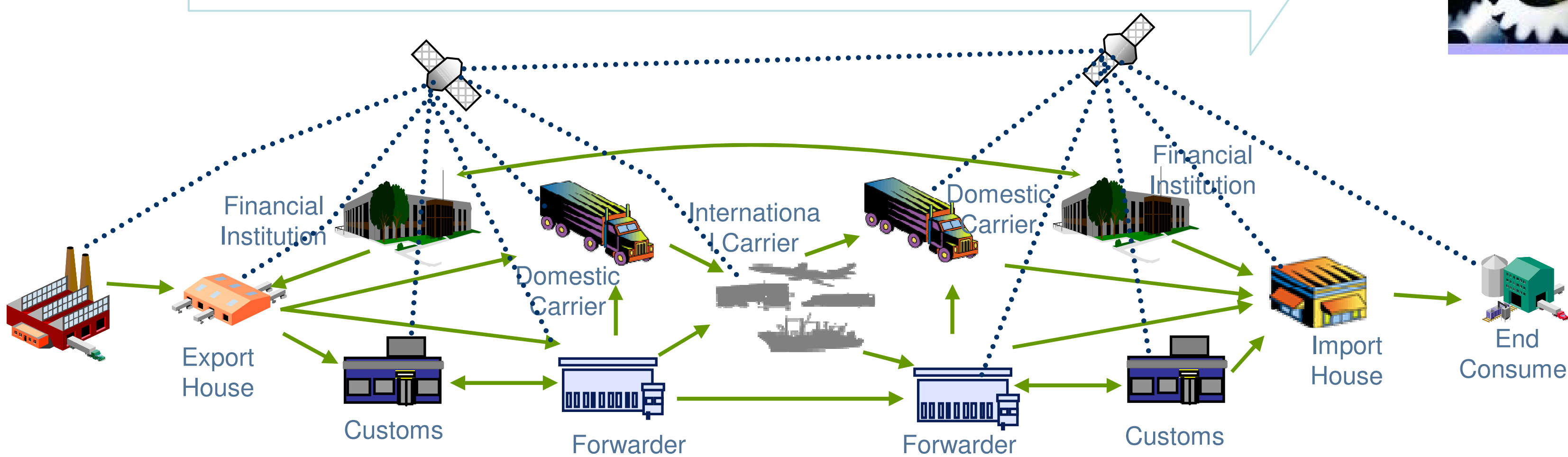
The European Transport & Logistics Market is facing strong Pressures that will Need Addressing in order to Remain Successful.

Regulation	***Improve Road safety*** *(digital tachograph),* ***Traceability (food & beverage), Security*** *(pharma & hazardous),* ***Emissions*** *(CO2)*
Economy	***Increase in Oil Price, Economic Down-turn, Inflation, Eastern Europe*** *(growth & lower cost),* ***Stressed Labour Market,***
Social	**De-Urbanisation, Environment** (carbon foot-print), **Traffic Management** (Congestion charge), **Transparency,**
Technology	**RFID, “green” technologies** *(hybrid),* **New Business models** *(inter-model, Reverse Logistics, 4PL, etc.)*





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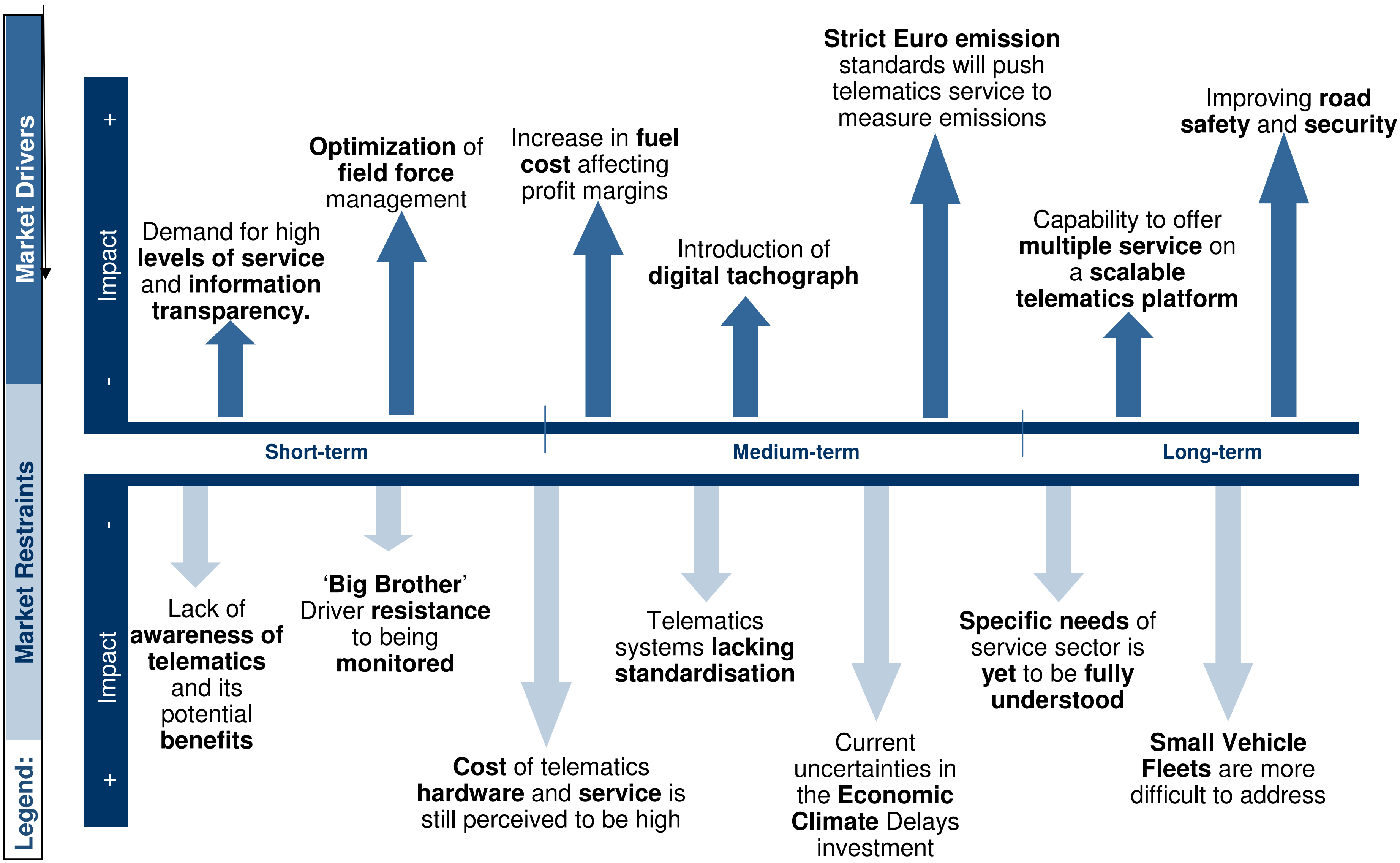
In a industry Under pressure, Telematics comes out as a reality tool for many business to remain profitable and stay in business



Movement towards an integrated solution is currently prevented by barriers caused by EU legislations and uncertainties

- Full integration with legislative systems inc. Tachograph, Road Charging and eCall

Completely Integrated

- FMS with advanced features including, ERP integration, Integrated Navigation, user interface with communications, FMS CAN-Bus connection

FMS

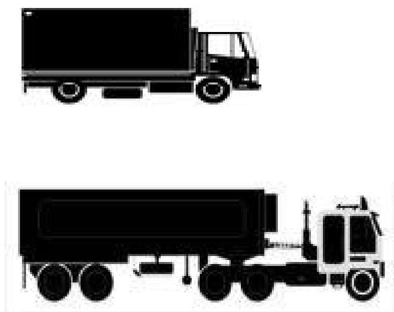
- T&T and FMS system combined with value add functionality such as navigation, communication and multimedia extensions to meet current market demands. Although the extent of upgrades can be limited

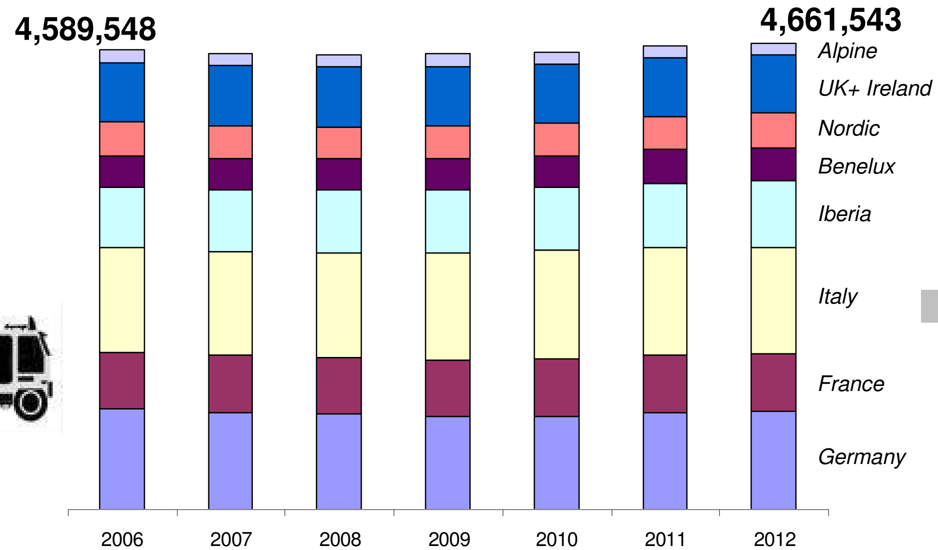
Hybrid Solution

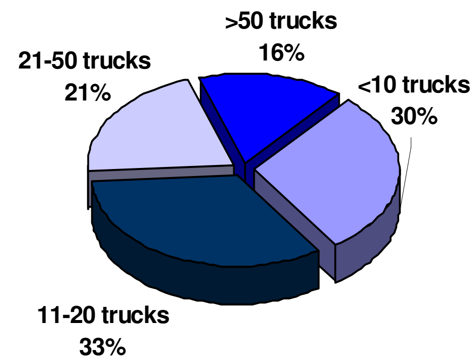
- T&T entry level systems, collection of vehicle data for generating reports and optional connection with various alerts including door opening and temperature monitoring

T&T

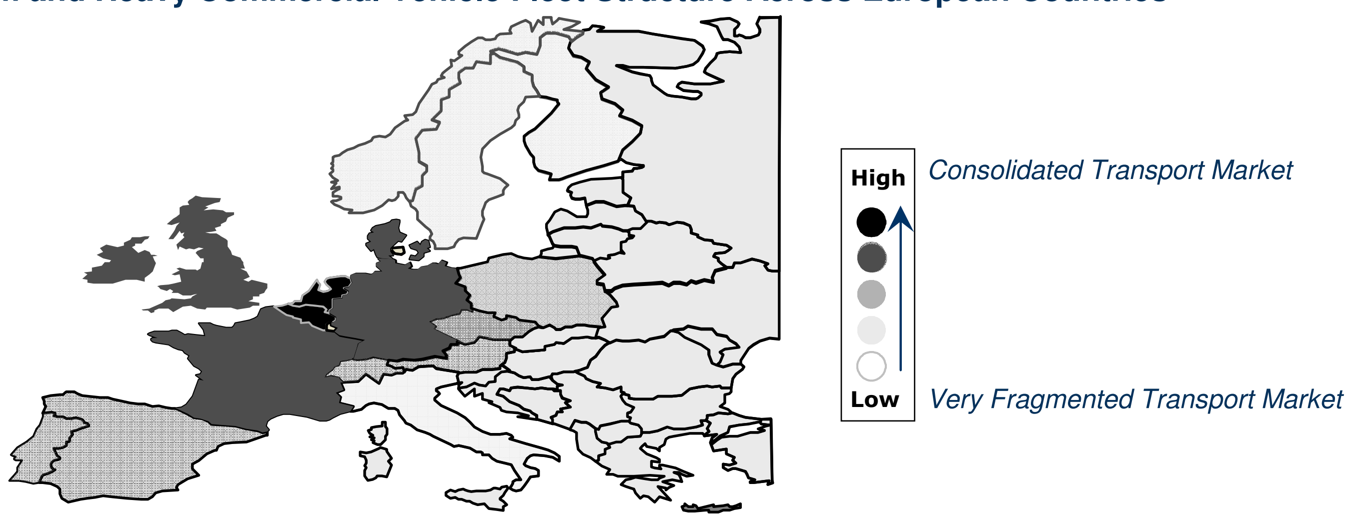
The European Dynamics in Vehicle Parc and Fleet Structure will Help Define Future Geographic Opportunities for Telematics.





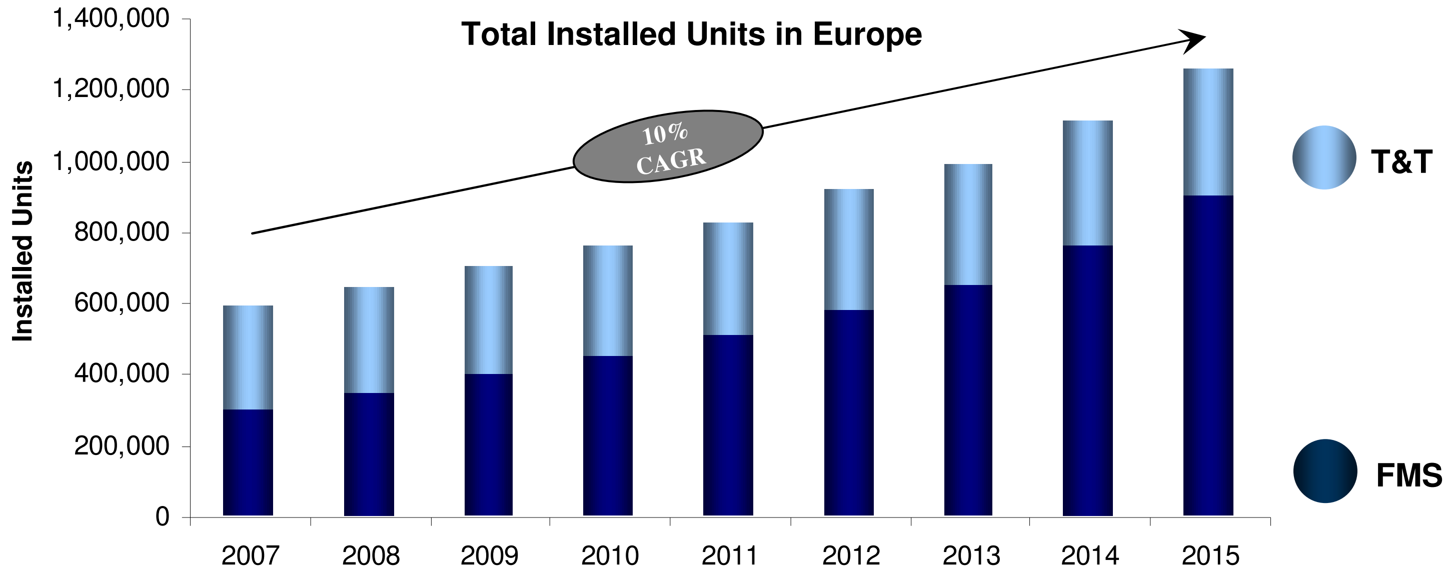


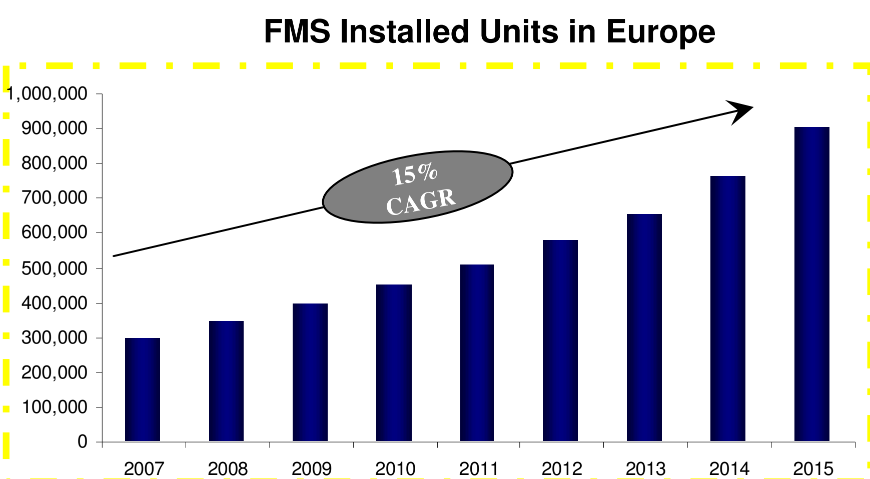
Medium and Heavy Commercial Vehicle Fleet Structure Across European Countries

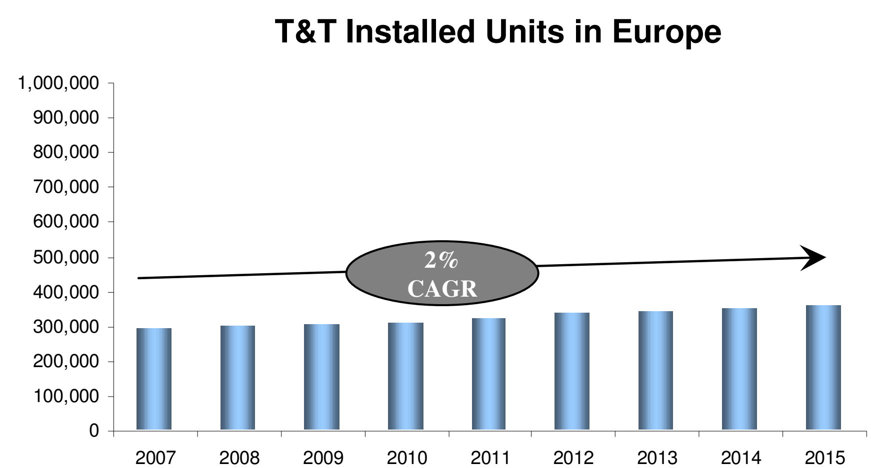


Source : Frost & Sullivan Estimates

Installed Units - *Limited functionality T&T lacks real time resource management and is being substituted for more feature rich FMS Systems*







Source : Frost & Sullivan Estimates

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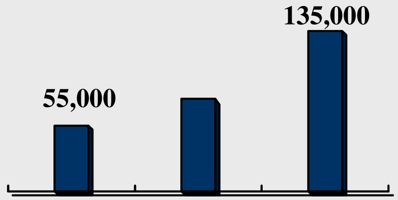
Installed Units – *The Total FMS Market is on a fast Track Growth across Europe with an Overall CAGR over 14%*

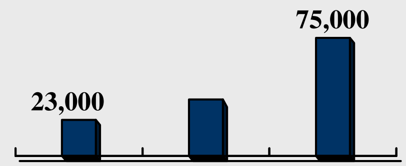
The limited functionality of T&T lack real time resource management and is being substituted for more feature rich FMS Systems

UK + Ireland

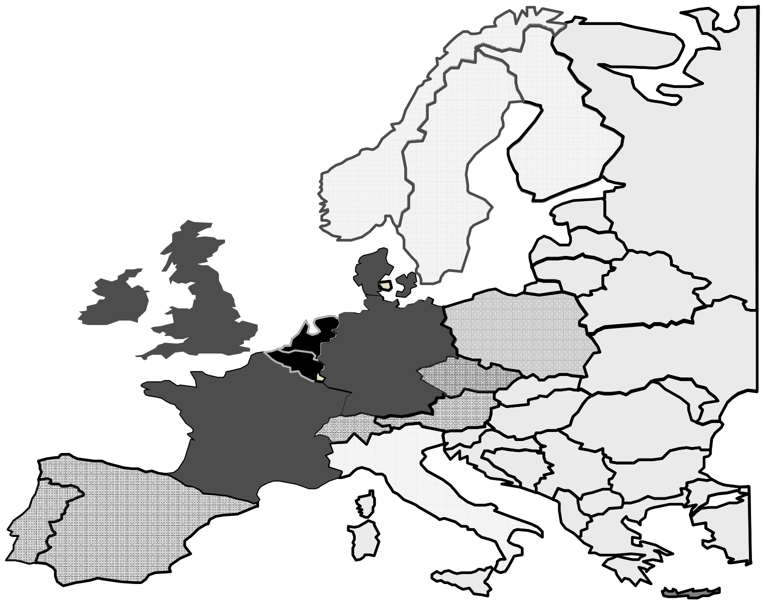


CAGR = 12% *(2007-2015*

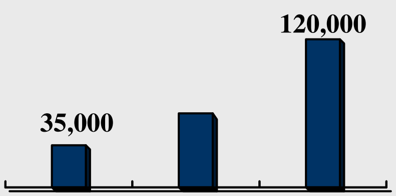
Nordic Countries



CAGR = 16% *(2007-2015*

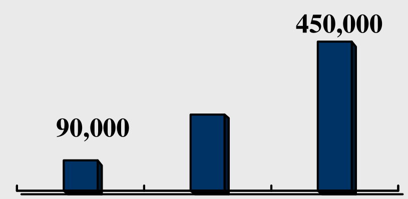


France

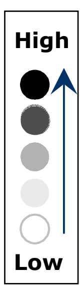


CAGR = 16% *(2007-2015*

Eastern Europe

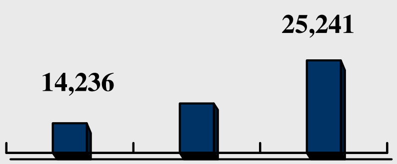


CAGR = 20% *(2007-2015*



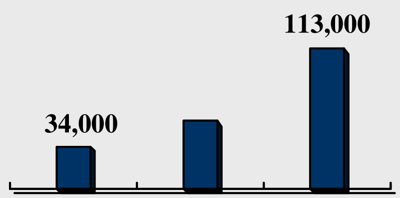
Market Potential

Spain & Portugal



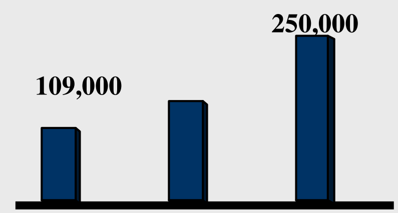
CAGR = 9% *(2007-2015*

Benelux



CAGR = 16% *(2007-2015*

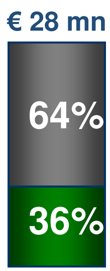
Germany

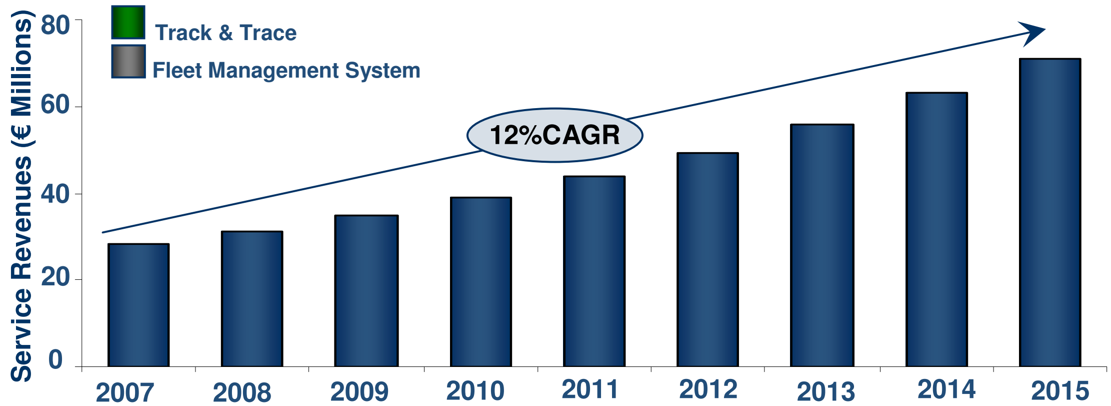


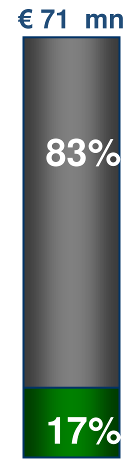
CAGR = 11% *(2007-2015*

Source : Frost & Sullivan Estimates

Service Subscription as a Recurring Revenue Stream - *Revenues from Services to Reach 71 million Euro*







Assumption:

1. **Based on installed T&T and FMS units.**
2. **Average Cost of Service- a) T&T – €30 b) FMS -** € 70

Service Monthly Subscription Cost Ranges from €15- 100

Product	 **Track & Trace**	 **Entry Level FMS**	 **Advanced FMS**
Service Level	•Basic Vehicle Data (localization, speed, mileage) •Alert & Monitoring Options (door closure, temperature, etc.) •Stolen Vehicle Tracking Capability	•Navigation Connection Option (basic map data, traffic information, etc.) •Driver Interface and Communication •Entertainment Connection Option •Transport Management – Routing & Scheduling, Job Mgt •Basic Client Admin	•Full Back-office integration Capability (ERP, Logistics software) and Real-time Communication) •High Vehicle Information (FMS Can-bus, RVD, acceleration, gear change, braking, driving analysis) and ADAS Integration •Integrated Navigation (Advanced map content and Traffic Information) •Additional Customer Services (load & parcel tracking, invoicing)
Cost	**€ 15 - 25**	**€ 30 - 45**	**€ 60 - 80+**

Source : Frost & Sullivan Estimates

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Note: Service Costs are per month per truck basis

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Competitive Analysis: *High Rivalry Amongst Existing Competitors, Leading to A Much Needed Consolidated Market of Reputable Suppliers*

Potential entrants

- New competition is largely coming from overseas companies (eg. Trimble)
- Low-cost providers that offer telematics services using the opened digital tachograph

Suppliers

- Air time providers – Reducing costs for roaming charges
- Highly competitive market for electrical components leads to competitive pricing

Industry competitors

- Total market is highly fragmented
- Strong drive for consolidation
- Few market participants are able to provide advanced systems

Buyers

- Customers bargaining power for entry system is high
- For advanced system, bargaining power is less due to fewer suppliers and the higher level of integration (e.g. with ERP)

Substitutes

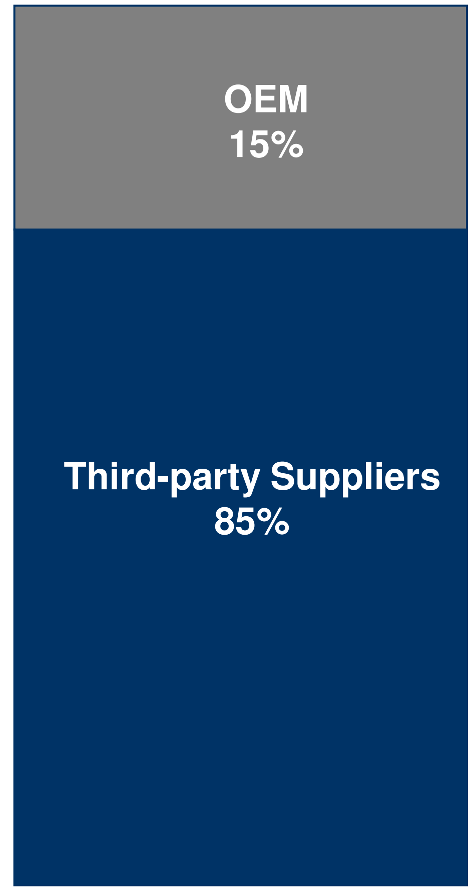
- Low cost solutions made up of maps, notepads and mobile phones post threat to entry level products
- Computers and hand held devices, offering a host of functionality including navigation, communication protocols and entertainment

Setting Telematics as standard as well as leveraging the existing sales infrastructure will increase the OEMs’ share

Unit Shipments per year – OEM vs. Aftermarket

2007

- **MAN offers line-fitted systems** in various models
- FleetBoard, Dynafleet and Scania **will follow** MAN by offering line fitted **low entry systems**
- OE suppliers leverage the **existing sales network** to generate business in **emerging markets** such as Eastern Europe



2015

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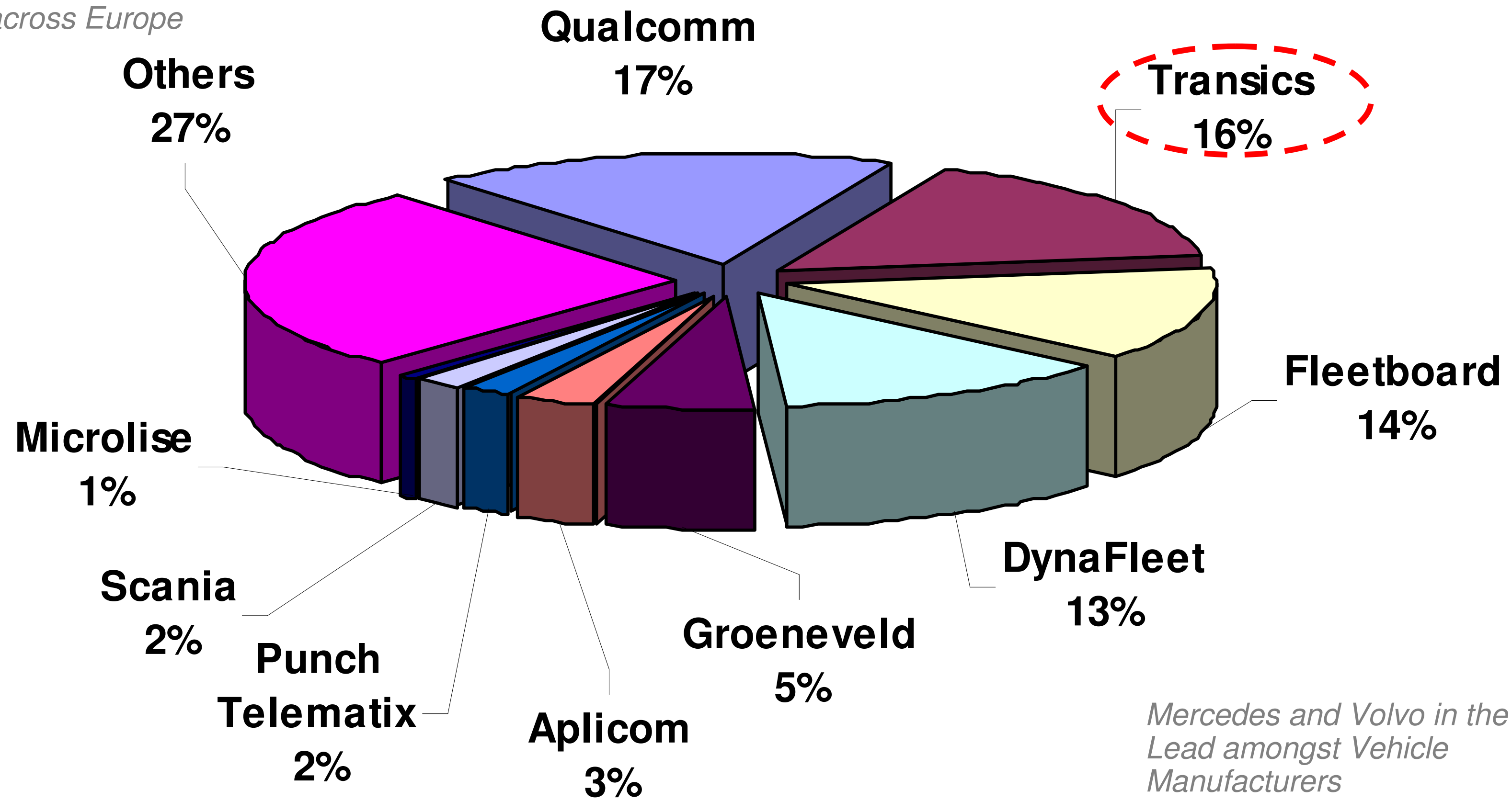
The European Fleet Management System Market is Becoming Increasingly Competitive, despite only very Few Pan-European Players

Note : Fleet Management System equates to On-Board Computer

Still very fragmented market, with anywhere between 120 to 150 players across Europe

Qualcomm new product range launch early 2008 helps the supplier sustain its volume growth

Transics is a recognised high-end supplier and clearly catching-up with Qualcomm in this segment



Mercedes and Volvo in the Lead amongst Vehicle Manufacturers

Source : Frost & Sullivan Estimates

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Real Business Case for Investment – *Three Areas of ROI in the Successful Implementation of Commercial Vehicle Telematics*

Three Levels of ROI,

1. Direct Savings to the Business
2. Operational Efficiencies
3. Revenues Generation

ROI is progressive over a period of time

Revenue Generation

- New Customer
- Customer Retention

• Telematics raises fleet operators profile in a competitive environment

Operational Efficiencies

- Employees in Back Office
- Staff Turnover
- Driver Gets Lost
- Late Arrival
- Vehicle Recovery

• Reduced back office support staff

Direct Cost Savings

- Communication Savings
- Fuel Savings
- Driving Distance Saved
- Driver Hours

• Telematics makes working practices more streamlined

Source: Frost & Sullivan - Based on a sample size of 30 companies in service and distribution sectors using commercial vehicle telematics with Navigation functionality.

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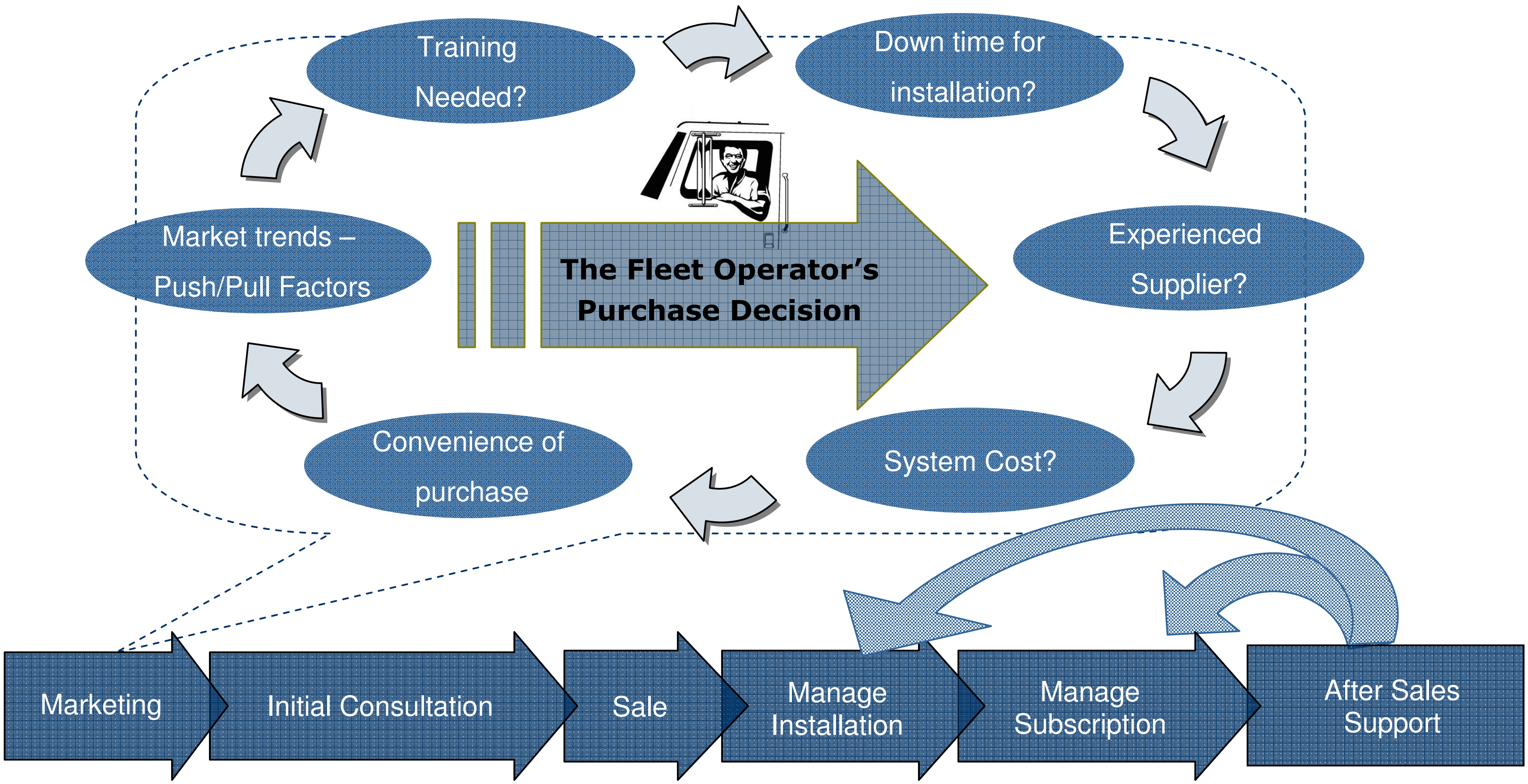
Fleet Telematics Market Analysis – *Successful Telematics Suppliers Need to Mirror Fleet Managers' Purchasing Decision Process and Criteria*



- Marketing is a key process that needs to educate the fleet operator of the benefits to purchasing from a particular supplier
- After Sales Support is key to maintaining reoccurring revenues from system upgrades and elevated service subscription levels. Furthermore, continuous improvement to the service levels agreements are increasingly being added to supplier contracts.

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Key Conclusions: *Growth Opportunities Will Come From the Appropriate Segmentation of the User Market*

Conclusions

New Volumes Growth Still Expected
- Eastern Europe expected to fuel future market growth
- The Consolidation of certain national transport market is expected to boost growth for Telematics
- Smaller vehicle fleets are yet very under penetrate

Fuel Price Threatens Existence of Fleets
- Increasing fuel price burns fleets' margins
- Those who want to survive need Telematics

Replacement in More Matured Markets
- Time to compete for market share in some matured segments of the market
- Large vehicle fleets already have high penetration of Telematics
- Focus on value proposition and differentiation

Industry & Sector Specific Requirements
- Some sectors are still under-penetrated : *forestry, agriculture, etc.*
- Strong interest in the utility sector
- Demonstrate sector specific knowledge and understanding

Focus on Recurring Revenue
- Focus should shift towards customer retention and value adding services
- Further push Telematics integration into business process – consulting revenue

Implementation Focus
- ROI and operator satisfaction are highly correlated to the ability to successfully sell Telematics

Source: Frost & Sullivan

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THANK YOU !

Questions & Answers

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Your Strategic Partner in Success

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