

Automechanika Dubai

7 – 9 June 2021 | DWTC

Automechanika Riyadh

11 – 13 October 2021

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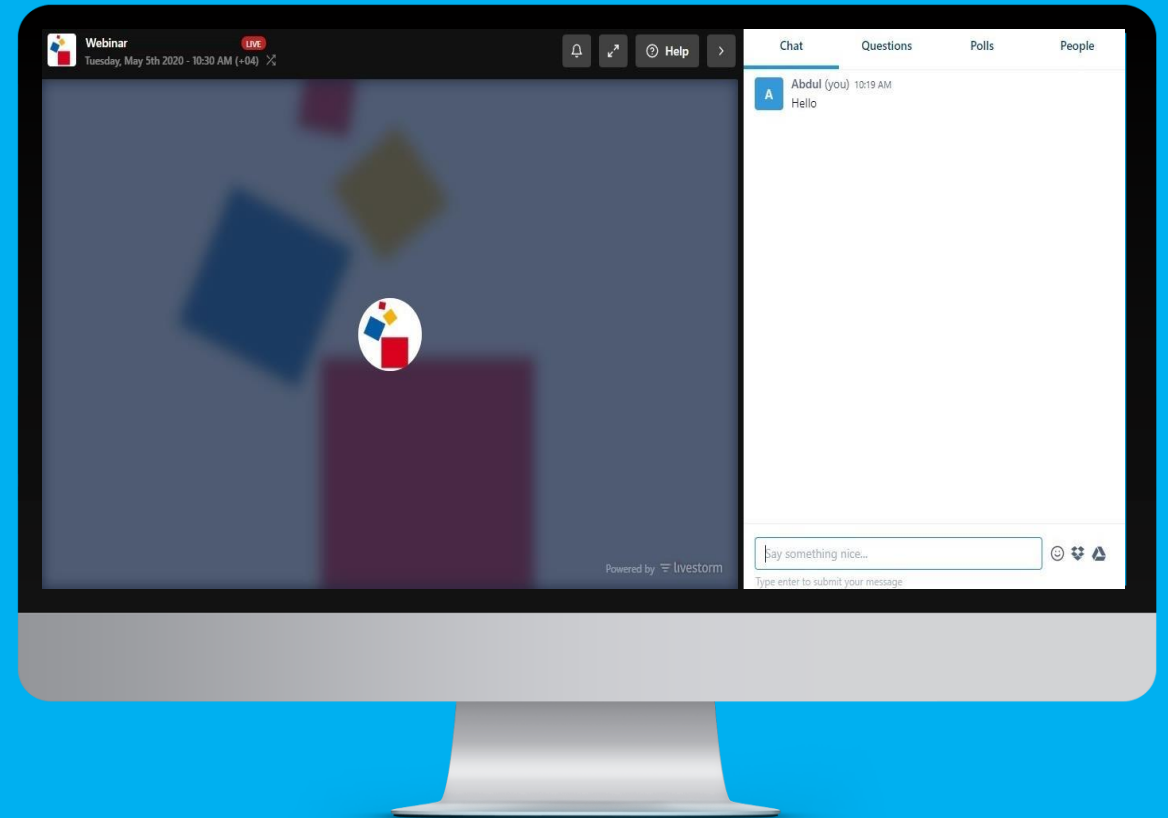
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Commercial Vehicle Industry – Overcoming the COVID-19 Crisis



Agenda



**ABDULLAH BAHATTIN
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**ARIJIT DUTTA
CHOWDHURY**

Head - International
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JOERG MOMMERTZ

Sr. Vice President, Head
of Sales Area MEA&LA
MAN Truck & Bus



SUBHASH JOSHI

Vice President - Mobility &
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Frost & Sullivan

Automechanika Dubai

7 – 9 June 2021

2019 Show Statistics



32,720

Trade Visitors from



141

Countries



53%

International



1,880

Exhibitors from



63

Countries



92%

International

Automechanika Dubai

- Key Show Highlights:
 - Competencies:
 - Truck, motorcycle & agriculture
 - Academy:
 - Learning & development area of the show
 - Modern workshop:
 - Area for our garage/workshop audience – product demos & trainings
 - Product focus:
 - Body & paint
 - Oils & lubricants

Automechanika Riyadh 2020

- Exhibitors
 - 87 exhibitors from 13 countries
 - 52 exhibitors from 11 countries (COVID-19)
 - Country Pavilions: Turkey, USA, South Korea, China, Hong Kong, Taiwan

- Visitors
 - 2,470 visitors

- New show dates 11-13 October 2021



Commercial Vehicle Industry – Overcoming the COVID-19 Crisis

Automechanika, Dubai
25th August 2020

Speaker & Panel Moderation:

SUBHASH JOSHI, VICE PRESIDENT, FROST & SULLIVAN

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Powering clients to a future shaped by growth*

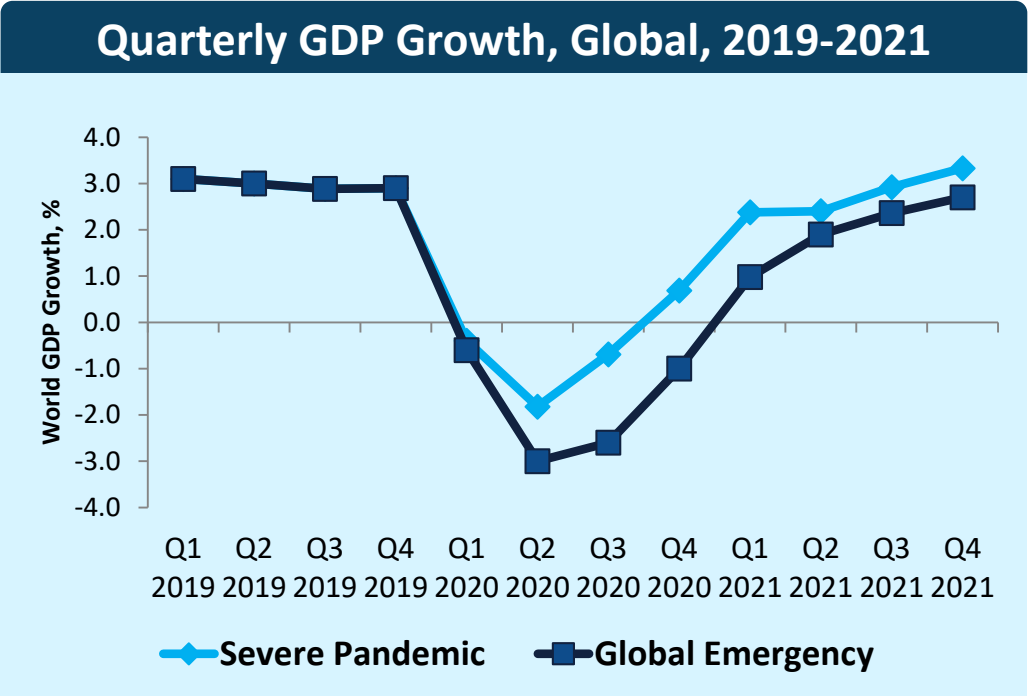
AGENDA

- **Global and Regional Macro Economics**
- **Impact on the Global Commercial Vehicle Industry**
- **Impact on Regional Commercial Vehicle Industry**
- **New Business Opportunity**
 - Confluence of Disruptive Technologies
 - Truck-as-a-service Opportunity
 - Blockchain Application in Commercial Vehicle Industry
- **Conclusions: Impact of Covid 19 on Commercial Vehicle Industry & Growth Opportunity**

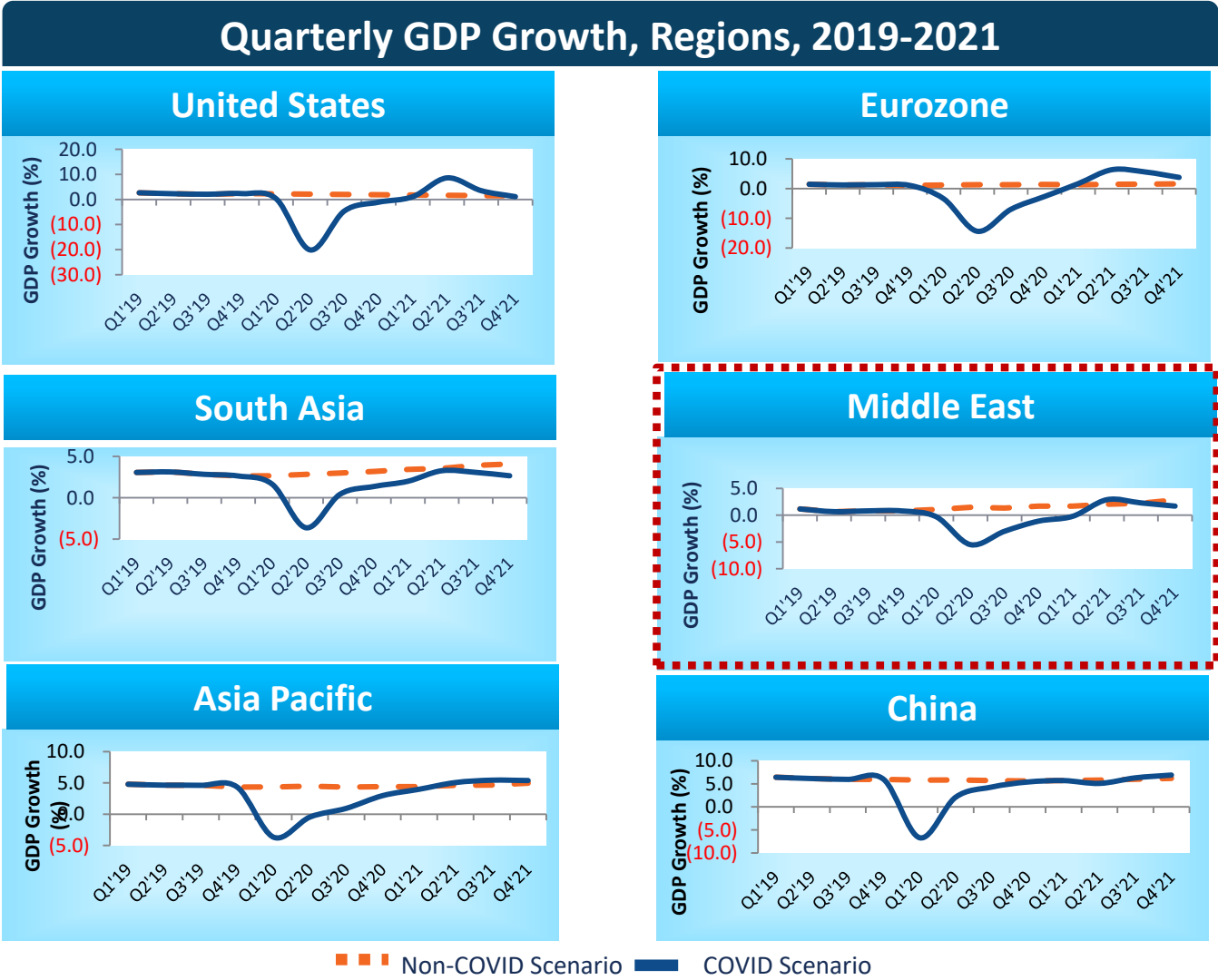
1

Global and Regional Macro Economics

2020 global recession; year-long recession expected under global emergency scenario; middle east will be weighed down by both lockdowns and the oil prices slide.



Scenario	Details
Severe Pandemic	35+ countries to register 5000+ cases by mid July, 20 countries to register 10,000+ cases, with lockdowns in Q2 and to continue through in initial months of Q3.
Global Emergency	80+ countries to register 5000+ cases by mid-June/July, 35 countries to register 10,000+ cases, with severe spread across Asia, Africa, and LATAM



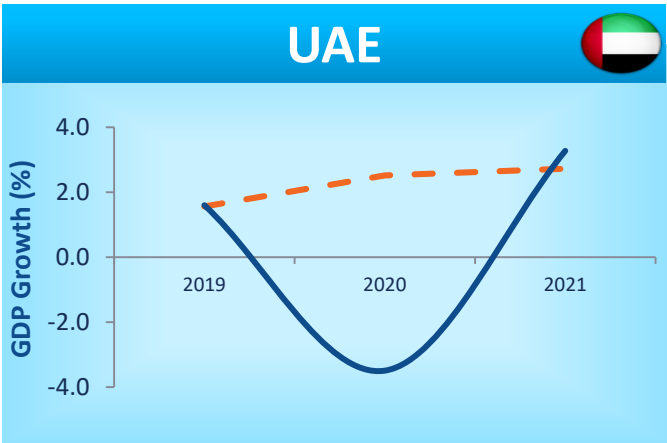
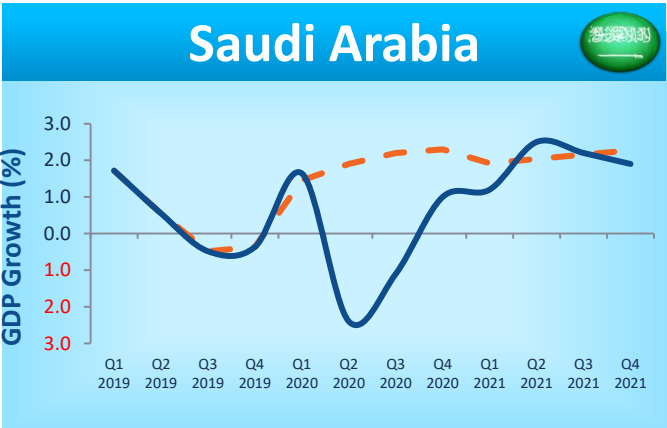
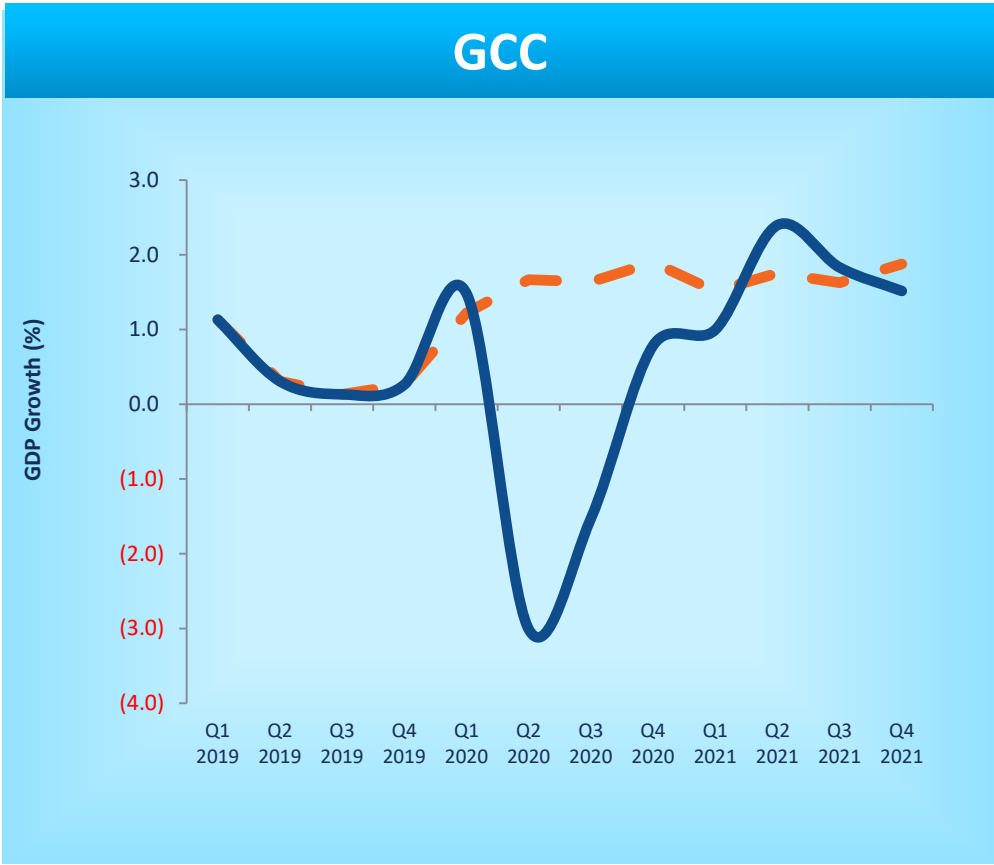
Source: IMF; Worldometer; Frost & Sullivan Analysis

COVID-19 IMPACT ON GCC

The region is particularly at a disadvantage from the crash in oil prices. Apart from the oil-economy, the non-oil economy is also seen to be coming under pressure in economies such as Saudi Arabia and UAE



Quarterly GDP Growth, GCC, Q1 2019- Q4 2021



Non-Covid Scenario
Covid Scenario

- 1. The data and analysis stands updated as of 11th May
- 2. No quarterly data for the UAE.

Source: IMF, Frost & Sullivan analysis

FUTURE OF GCC ECONOMY & ECONOMIC DIVERSIFICATION

TO REDUCE OIL DEPENDENCE AND EXPANSION OF SECTORS SUCH AS CONSTRUCTION, TOURISM, MANUFACTURING, FINANCIAL SERVICES, AND LOGISTICS



Focus on creating a multi-sector economy by 2030, concentrating on manufacturing industries as well as sectors such as infrastructure and construction, retail, tourism, financial services etc.

Drivers of Economic Diversion in GCC

Bold Visions

The GCC nations are driven by strategic government plans such as UAE Vision 2021 and Saudi Vision 2030.

Reforms

Introduction of business friendly reforms aimed at attracting FDI inflows boosting economic growth in non-oil sectors

Free Zones

To facilitate easy setting up of manufacturing plants along with other benefits on custom duties for import and export of goods

Target Manufacturing Sub-Sectors



Petrochemical Products



Chemicals & Pharmaceuticals



Industrial Machinery



Home Appliances



Food and Beverage



Rubber & Plastic Products



Textile & Apparel



Mining & Minerals

Source: Frost & Sullivan Analysis

2

Impact on the Global* Commercial Vehicle Industry

*Global segment definition is different then regional (GCC)

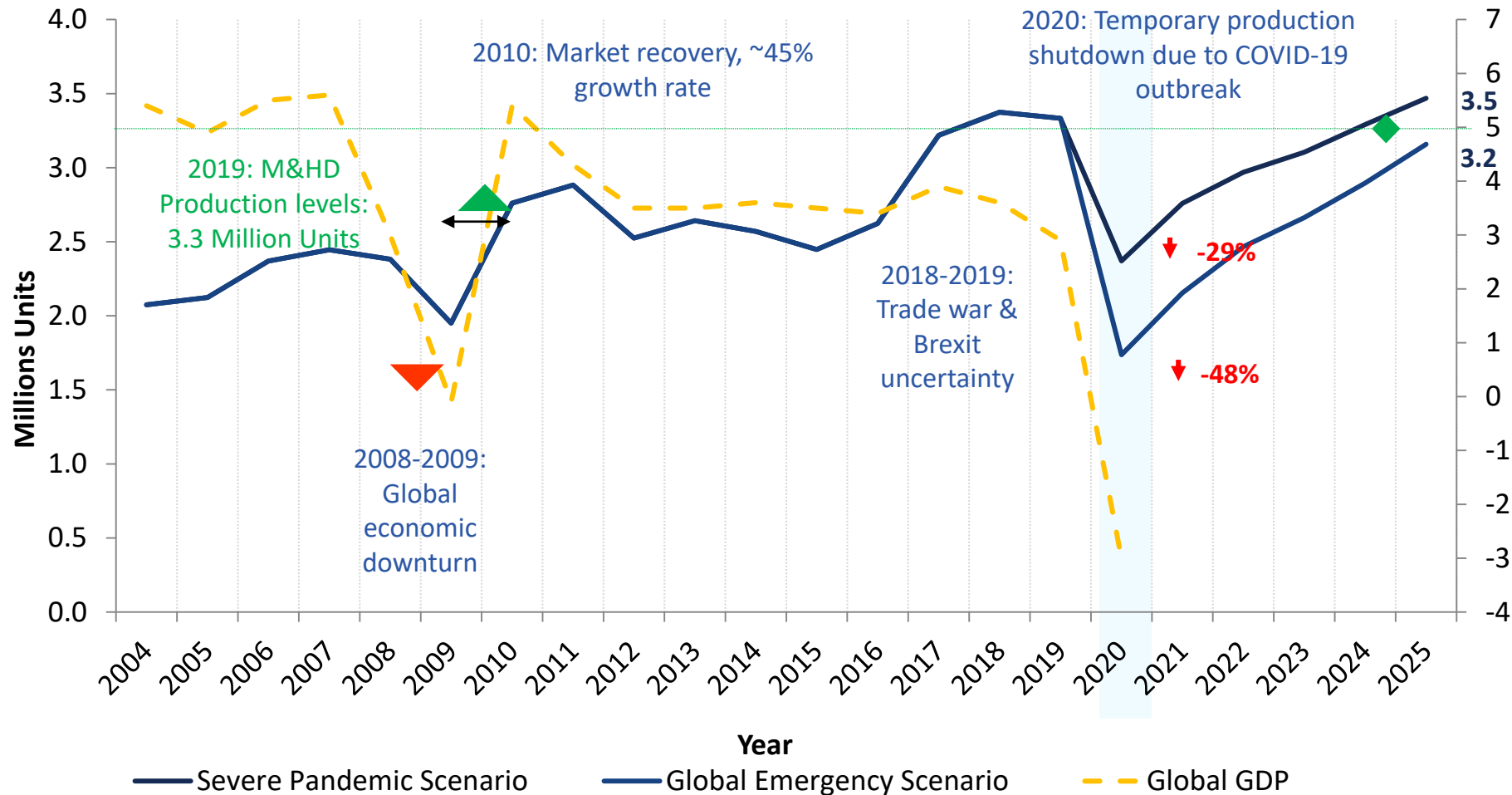
*Data on further slides is only for Trucks, however LCV does include Small Commercial Vehicles as well (which is <3.5t GVW)

Global M&HD Truck Production – 2004 to 2025

Global M&HD truck production is likely to shape up as per the 'severe pandemic' scenario wherein most countries resumed partial vehicle production mid-May & June



COVID-19 Impact: Global M&HD Truck Production Forecast Scenarios, Global, 2004 to 2025



Severe Pandemic

- Frost & Sullivan expects a 29% Y-o-Y decline in 2020, followed by about 16% Y-o-Y growth in 2021

Global Emergency

- About 48% Y-o-Y decline is projected in 2020, followed by 24% Y-o-Y recovery in 2021

Source: IMF, Marklines; Frost & Sullivan Analysis

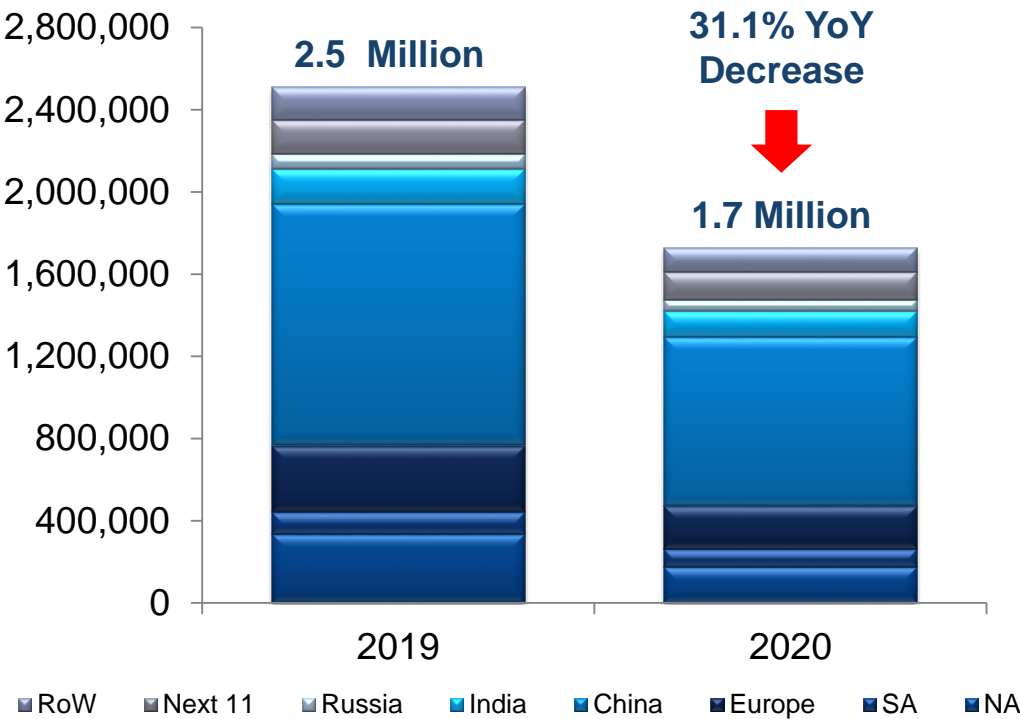
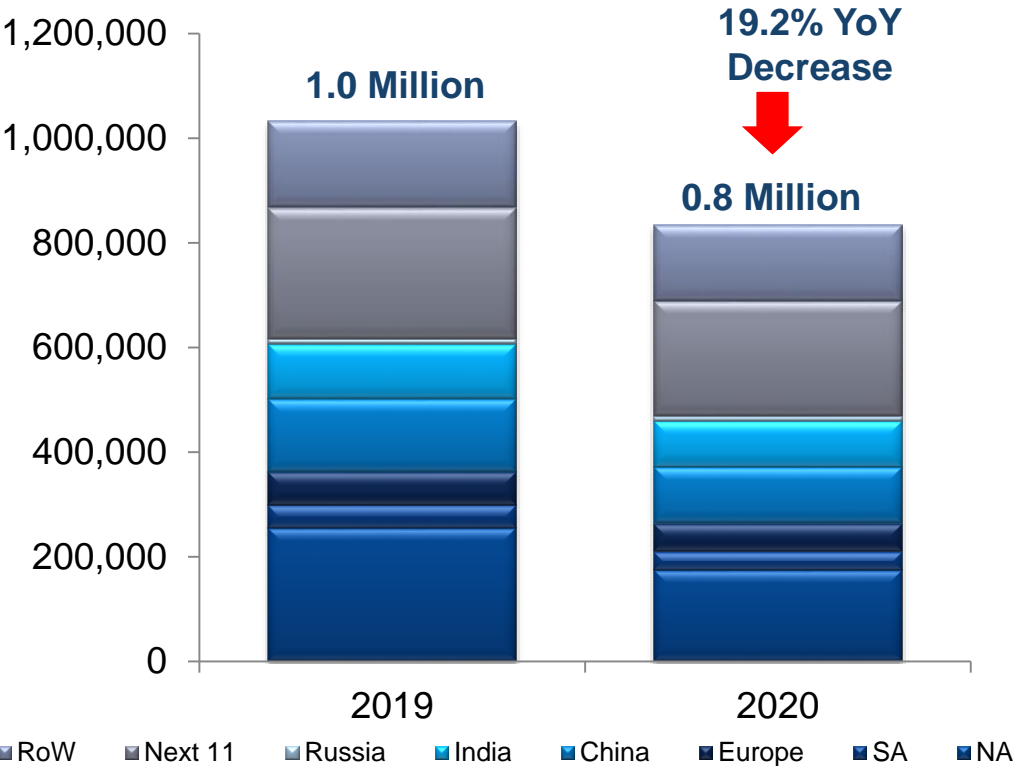
Global MD and HD Trucks Market Forecast—by Regions

Globally all regions will experience strong contraction in MD- HD truck sales driven by impact of COVID pandemic shutdown, slowing global economy and lower growth in freight demand.



CV Market: MD Trucks—Unit Shipment Forecast, Global, 2019 and 2020

CV Market: HD Trucks—Unit Shipment Forecast, Global, 2019 and 2020



Key: Rest of World (RoW) includes Eastern Europe (excluding Turkey and Russia), APAC (excluding countries part of other regions), the Middle East, and Africa

Note: All figures are rounded. The base year is 2019

Source: Frost & Sullivan analysis

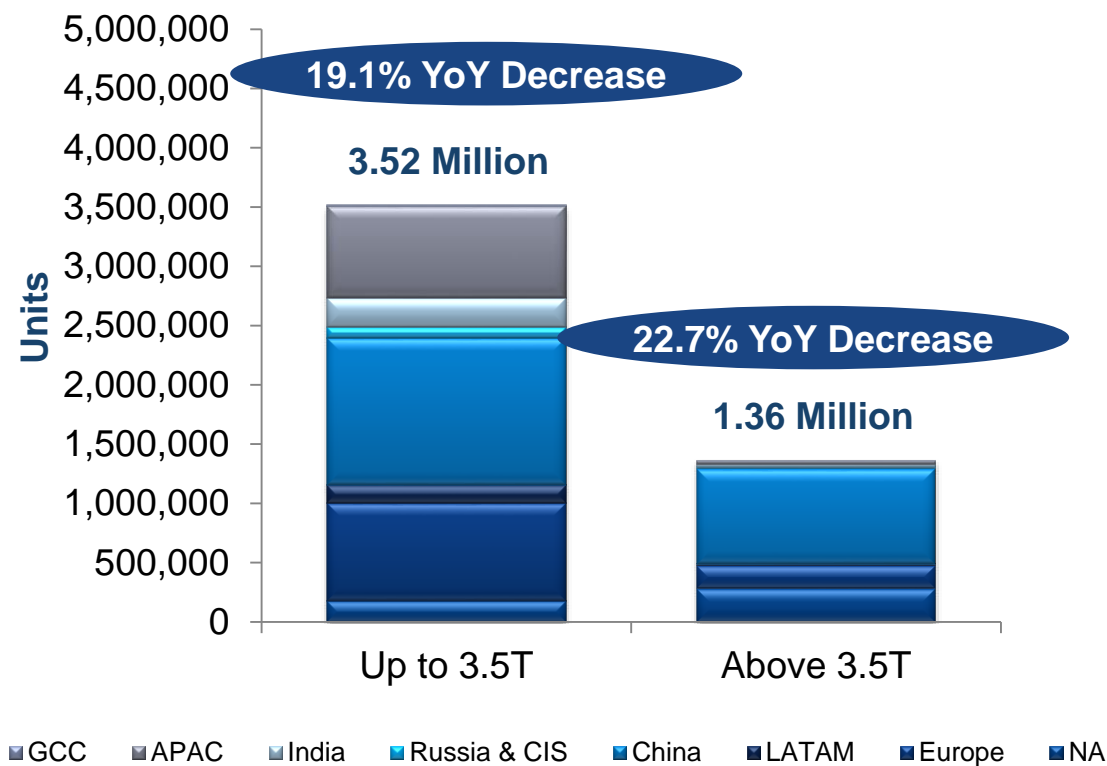
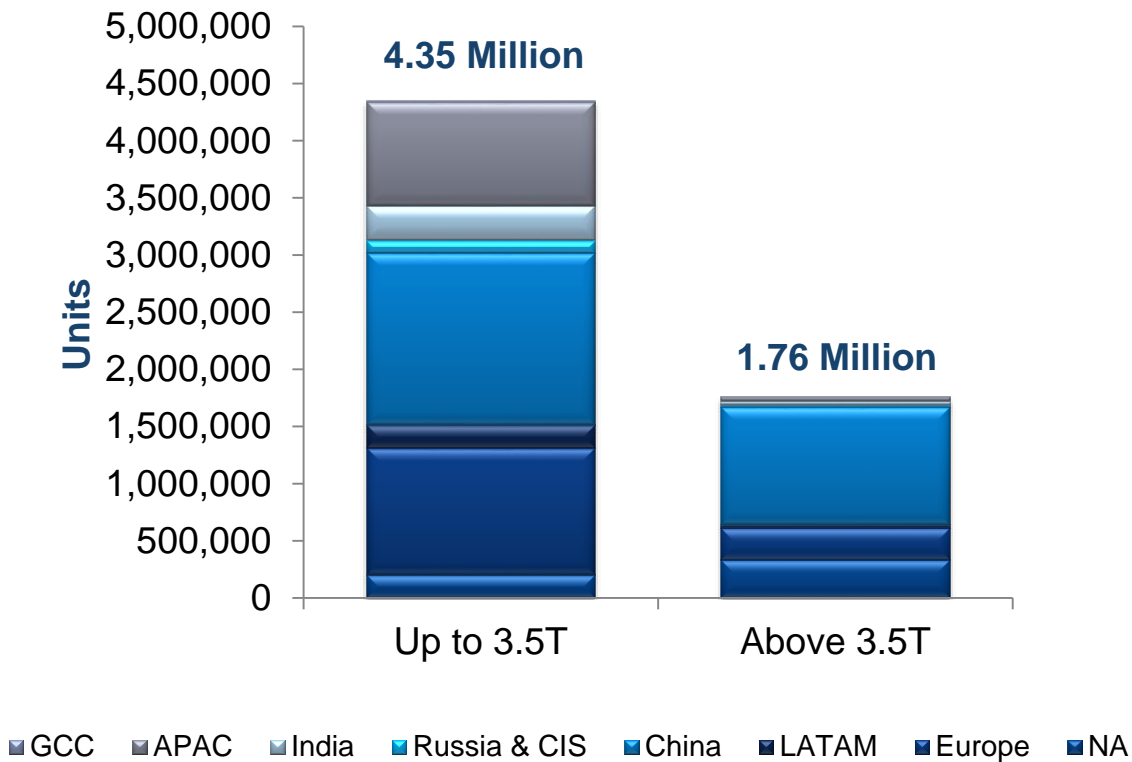
Global LCV Market Forecast—by Regions

The LCV market, COE trucks and panel vans, is expected to decline by 20.1% globally due to almost no business activity other than only last mile delivery of essentials during lockdown in most parts



LCV Outlook: LCV—Unit Shipment, Global, 2019

LCV Outlook: LCV—Unit Shipment, Global, 2020



LCV includes LD Truck/Panel Vans up to 6T

Source: Frost & Sullivan analysis

3

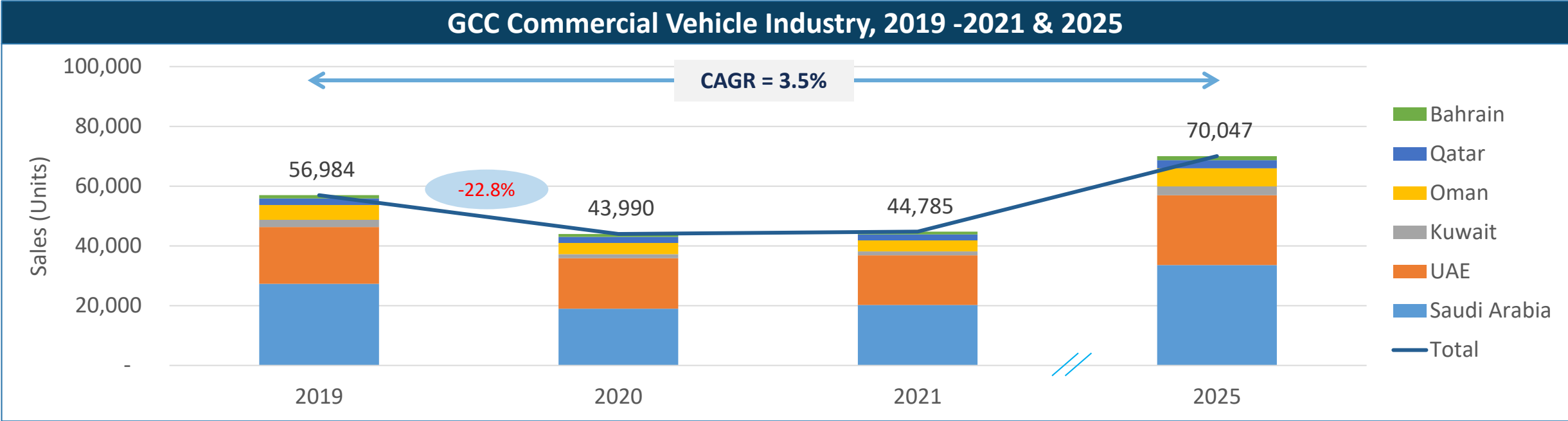
Impact on Regional* Commercial Vehicle Industry

*Regional definition includes buses; LCV classified as ≥ 3.5 t GVW to upto 9t GVW, MCV is upto 16t GVW. The data provided in further slides does not include SCVs (Small commercial vehicles)

GCC Commercial Vehicle Sales, CY2019 – CY2021 & CY2025



COVID-19, low oil prices & tight government spending heavily impacting CV demand in GCC (almost 23% decline expected in 2020 with industry stabilizing in 2021). However long term commitment from GCC countries towards economy diversification will result in steady CV growth, expected to reach to 70,000 units by 2025 (CAGR 3.5%)



- ~30% decrease in 2020 (KSA)
- VAT Revision, less budget allocation to reform initiatives, Oil Prices



- ~11% decrease in 2020 (UAE)
- Subdued economic performance, Lower oil price



- ~7% decrease in 2020 (Qatar)
- Least impacted on account of availability of Fiscal buffers



- ~44% decrease in 2020 (Kuwait)
- lower oil prices, reduced business activity, consumer spending



- ~18% decrease in 2020 (Oman)
- lower oil prices, Postponement of infrastructure projects



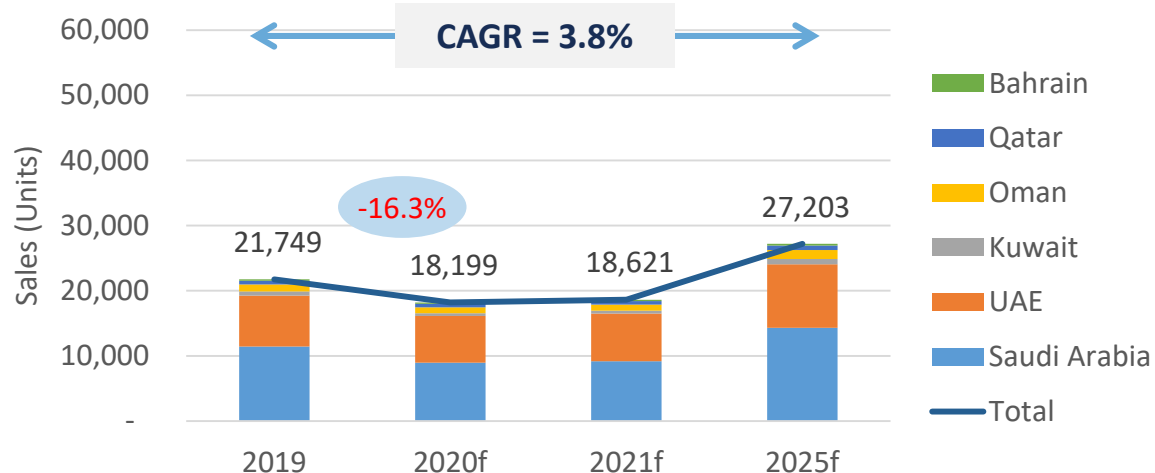
- ~18% decrease in 2020 (Bahrain)
- lower oil prices, Postponement of infrastructure projects

GCC Light Commercial Vehicle sales, 2019-21-25



Limited impact in comparison with other segments due to established demand of last mile delivery of essential services.

GCC Light Commercial Vehicle Industry, 2019 -2021 & 2025



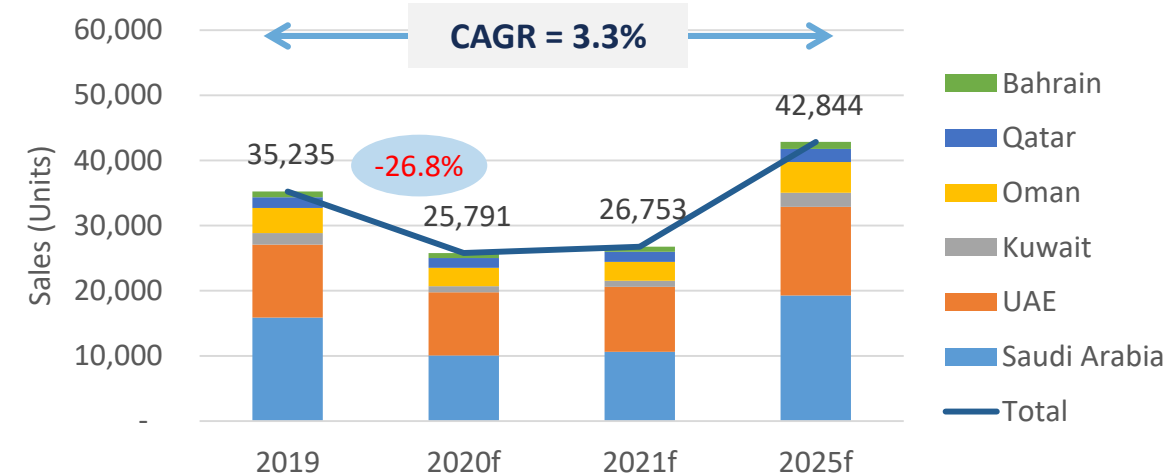
- With Government taking measure to ensure Social distancing and imposed travel restriction has enabled increased usage/utilization of LCVs for delivery of essential service.
- The LCV market is estimated to recover on account of stable economic performance growth in E-commerce segment .

GCC Medium & Heavy Commercial Vehicle sales, 2019-21-25



Strong contraction of 27% expected, In long terms economy diversification plans, their implementation and boost in tourism activities will result in stable growth for M&HCVs

GCC Medium & Heavy Commercial Vehicle Industry, 2019 -2021 & 2025




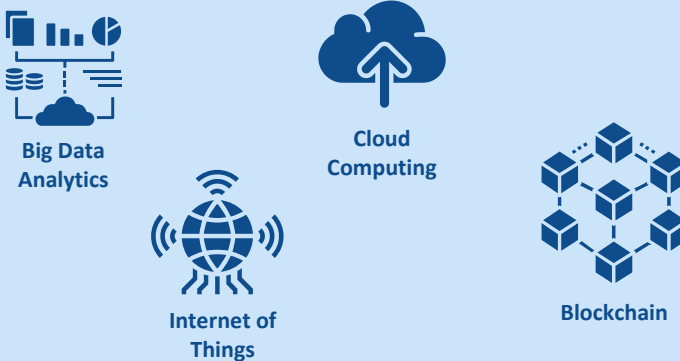
- Slowdown in economic activities due to COVID-19 and delay in major infrastructure project due to Lockdown are the key reasons.
- Expected revival from Q2/3 of 2021 due to increased focus on delivering existing Infrastructure projects, boost in tourism activities as well as enhanced action towards developing non-oil economy

4

New Business Models and Opportunities

Confluence of Disruptive Technologies

Innovative technologies are enabling the transformation of the trucking industry and are opening up new revenue streams for CV OEMs and suppliers.

Confluence of Disruptive Technologies, Global, 2018–2025		
Concepts	Value Proposition	Enabling Technologies
Logistics 4.0	A connected supply chain network provides greater visibility from the manufacturer to the end-customer, which optimises the interactions between shippers, carriers and receivers, and increases the flexibility and traceability of secure transactions.	 AR, AI, Robotics, IoT, Blockchain, Electrification, Autonomous Transportation, Data Analytics, Ground Bots, Aerial Drones, Cloud Computing
Digital Freight Brokerage	One-stop brokerage solutions which provide opportunities for fleet management services (FMS), create transparency throughout the value chain by providing real-time data and lead to increased capacity utilisation.	
Truck as a Service (TaaS)	Convergence of technologies which provide a platform for CV OEMs to build service- and solution-based revenue models.	
Urban Logistics	There has been a paradigm shift in the functioning of logistics in the urban environment, leading to electric and autonomous vehicles including drones and bots. This shift has necessitated the emergence of innovative business models.	 Big Data Analytics Cloud Computing Internet of Things Blockchain
Blockchain	Blockchain’s distributed ledger will enable regulatory bodies to store information about the vehicles such as their legal entities, registration details, and technical characteristics. The hype around blockchain will be substantiated as consumer benefits expand from loyalty programs to counterfeit protection	

Source: Frost & Sullivan Analysis

Truck-as-a-service Opportunities

The confluence of technologies provides a platform to build service and solution-based revenue models
– OEMs are transitioning from product or service to catering to the overall customer experience.

“UBER for trucks – will generate more than **\$26.5 Billion** in revenue in 2025”

Digital Transformation

Technology
Advancements

Connectivity
Technologies

Online Mobile
Ecosystem

Big Data/
IOT

Predictive
Maintenance

Blockchain

Confluence of Technologies

Emerging Business
Opportunity

Truck as a Service

Telematics/
FMS

Digital
Retail

TMS

Business
Analytics

Digital
Freight
Brokerage

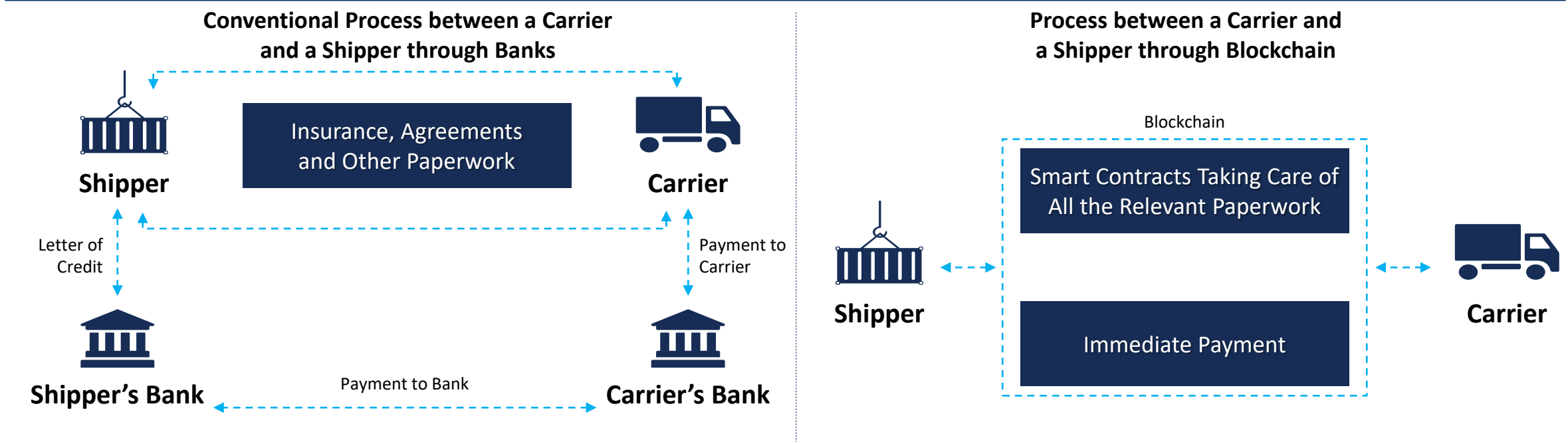
Truck
Leasing /
Rental /
Sharing

Source: Frost & Sullivan analysis

Blockchain Application in the CV Industry

Blockchain has the potential to completely revolutionise the CV industry across the entire value chain, from manufacturers to fleets, brokers and shippers.

Blockchain Application in CV Industry, Global, 2019–2025















- Blockchain is greatly expected to not only drastically shorten the transaction processes in terms of the intermediaries involved but also in terms of the time taken.
- Its impact on the CV industry is expected to gradually increase in the coming years, especially after 2020. It is, however, largely dependent on the level of automation and proliferation of technology in the industry as well as mandates supporting these advances.



Blockchain	Short Term (2018–2019)	Medium Term (2020–2022)	Long Term (2023–2025)		
Impact on the CV Industry				High	Medium-High
				Medium	Low

Source: Frost & Sullivan analysis

Impact of Covid-19 on CV Industry related Growth Opportunities

With digital retailing to witness unprecedented growth, OEMs and dealers need to plan their strategy in stages for a seamless transformation

Opportunity Segments	Supply Dynamics			Demand Dynamics			Market Dynamics		Impact Assessment [2020]	Recovery Assessment [2020]	Key Growth Opportunities
	Supply Chain Disruption	R&D Investment	Working Capital Pressure	Consumer Affordability	Customer Demand	Fear of Contamination	Government Relief Measure	Travel Restrictions & Country Lockdown			
Freight Aggregators 	NA	↓	↓↓↓	↑	↑↑	↓↓↓	NA	↓↓↓		Medium	→ Collaboration with OEMs, Fleet Operators
Connectivity 	↓	↓	↓↓	↑	↑↑	NA	NA	NA		Medium	→ Engine health and maintenance connectivity → AI, Block chain enabled platforms
Electric Vehicles 	↓↓	↓↓	↓↓	↓	↓	NA	↓	↓↓		Fast	→ Lesser impact as EV's in nascent stage → Dependency on imported parts → Revised financial benefits from govt.
Aftermarket & Vehicle Service 	↓↓	NA	↓↓↓	↑	↑↑	NA	↑	↓↓		Medium	→ Overdue service requirements → On-demand service models to surge → Rise in online parts
Vehicle Leasing 	NA	NA	↓↓	↑	↑↑↑	↑	NA	↓		Medium	→ Used CV Leasing could grow
Digital Retail 	NA	NA	NA	NA	↑↑↑	NA	NA	↑↑↑		Fast	→ Digitally generated leads and sales would gain prominence → Door step deliveries of new vehicles

Level impact:  Negative  Positive

Overall impact:  Negative Impact  Medium Impact  Positive Impact

Source: Frost & Sullivan analysis

POLL QUESTION

Which segment of Commercial Vehicle will see faster recovery in the GCC region?

Panel Discussion



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Your Next Steps

1: Take the Growth Pipeline Diagnostic to assess your current growth capabilities

<https://ww2.frost.com/growth-pipeline-diagnostic/>

2: Reach out to your team to act

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F R O S T & S U L L I V A N

The Growth Pipeline Company

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