The European House Ambrosetti

JOHANNESBURG SOUTHAFRICAITALY SUMMIT

MA

Building a **community of leaders** for growing their enterprises in the two countries and continents

MA journey in South Africa

Paolo Olivero - Country Leader, MA Tool & Die, South Africa

The European House - Ambrosetti has been named, for the third year, best Private Think Tank in Italy and 4th in Europe, in the University of Pennsylvania's "Global Go To Think Tanks Report"

The European House Ambrosetti

CLN Group of Companies

CLN
MA
MW
MFB

Today, the CLN Group is one of **the leading international players** on the world market of processing, stamping and assembly of metal components for steel service distribution with the **CLN**-SSC division, for the automotive business with the **MA** division, for steel wheels with the **MW** division, and with **MFB** for the production of fine mechanical components.

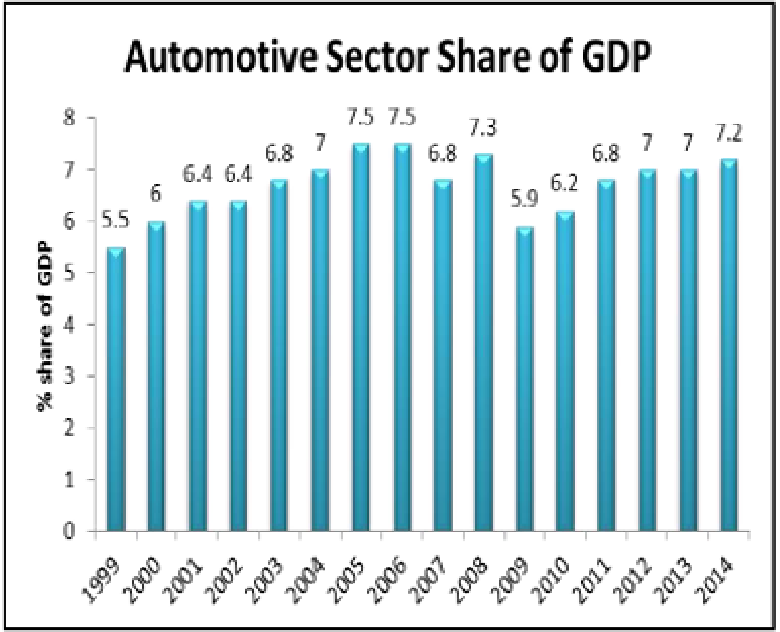
The Group operates in **four** continents with **50** production sites and sales offices and over **8,600** employees. It processed 1,250,000 tons of steel in 2015 and registered a turnover of **1.3 Billion** Euros.

MA South Africa technology and products

- People 1’500
- Press lines 14 (manual & auto)
- Material consumption
  - Steel 88’000 t p.a.
  - Aluminium 15’000 t p.a.
- Area
  - Total land area 430’000 sqm
  - Total production floor space 108’700 sqm

SA Automotive Industry

- The Automotive Industry is the largest manufacturing sector in the SA economy
- In 2015 the wider industry contributed approximately 7.5% of GDP (R300Bn)
- Total vehicle sales in 2015 was 615'000 (2014 = 566'000)
- Auto Industry contribution 14.6% of total national exports in 2015, R151Bn (2014 = 12.7%)
- At the moment, there are 7 major OEM's in SA



Source: AIDC / NAAMSA

OEM Landscape

MASA supply to all SA OEM's

From 3 main locations

Recent announced investments in the Auto Industry
(roadmap to 1.2mio cars p.a.)

Current OEM's:

Toyota SA	ZAR 6.1 Bn	New Hilux, SOP 2016
Ford SA	ZAR 2.5 Bn	Plant upgrade for SUV derivative, SOP 2016
VWSA	ZAR 4.5 Bn	New Polo, SOP 2017
BMW SA	ZAR 6.0 Bn	New X3, SOP 2018

New Entrant:

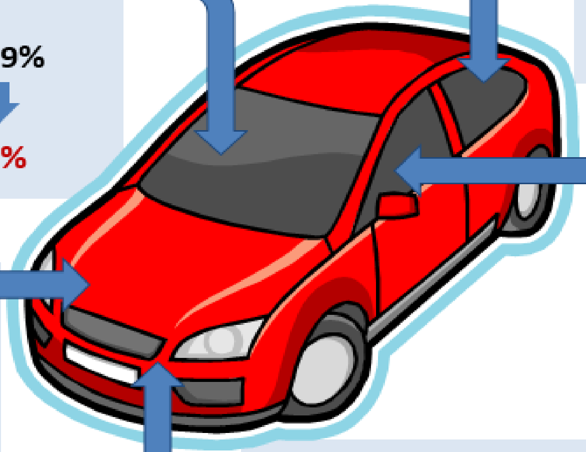
BAIC	ZAR 11.0 Bn	New plant, construction start 2017

Value Chain: Opportunities in expanding & deepening local content

XX%: % of total material cost

YY%: True local material plus value add as % of total material cost

Note: %'s indicative only



Electrical / Electronic

- Harnesses
- Starter motors
- Alternators
- Wiper systems
- HVAC

19% → 5%

Exterior

- Glass
- Paint
- Bumpers
- Mirrors

10% → 3%

Interior

- Cockpit
- Seats
- Door panels
- Carpets

23% → 7%

Body

- Bonnets
- Bootlids
- Sideframes
- Doors

15% → 6%

Chassis and Drive-train

- Axles
- Differentials
- Drive shafts
- Brakes

33% → 14%

Only between 35 – 41% Local Content

Note: %'s indicative only

Italian Players are missing relevant opportunities

- Not only are Italian players missing the opportunity for localization, they are also falling behind in exports to South Africa
- Still, the momentum for Italian operators planning to localize in South Africa is unique
- Major opportunities are for 2nd and 3rd tiers producers in high-tech sectors of the value chain and/or producing automotive grade plastics, interior components, power train and electronic components

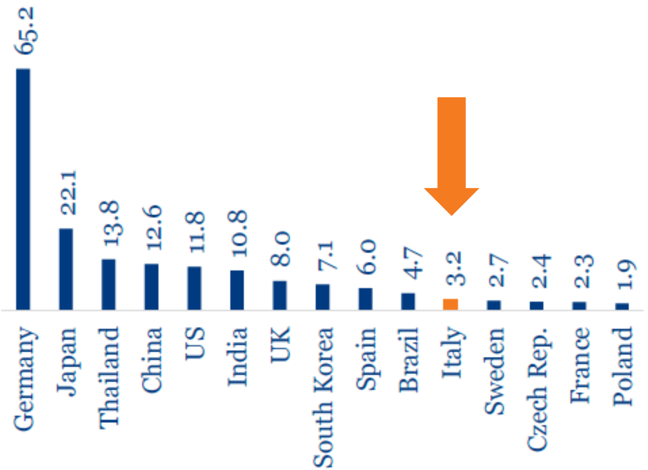


Figure 3. *Automotive exports to South Africa by Country of origin (Rand mln), 2015 (Source: TEH-A elaboration on AIEC-SARS data, 2016)*

Barriers to entry into the Automotive Component Market

- Secure supply contracts
- Supply experience is required
- Quality Management Systems
- Technical capability or technical support agreements
- Access to start-up capital
- Mentoring services (support from SA Government: AIDC, DTI, IDC)

Source: AIDC

Techno Manufacturing Cluster Model

- To fully capitalise on these opportunities and overcome the barriers, a supportive business environment is needed
- The European House – Ambrosetti has identified the characteristics of such a pro-investment environment conceptualising the "Techno-Manufacturing Cluster"
- Rosslyn Automotive Supplier Park has been identified as a concrete localization option to attract Italian as a good location for such an initiative
  - BMW, Nissan, Ford, Tata, Iveco close by
  - Service providers (logistics, legal, customer access, etc.) and Gauteng Automotive learning center
  - Rental scheme

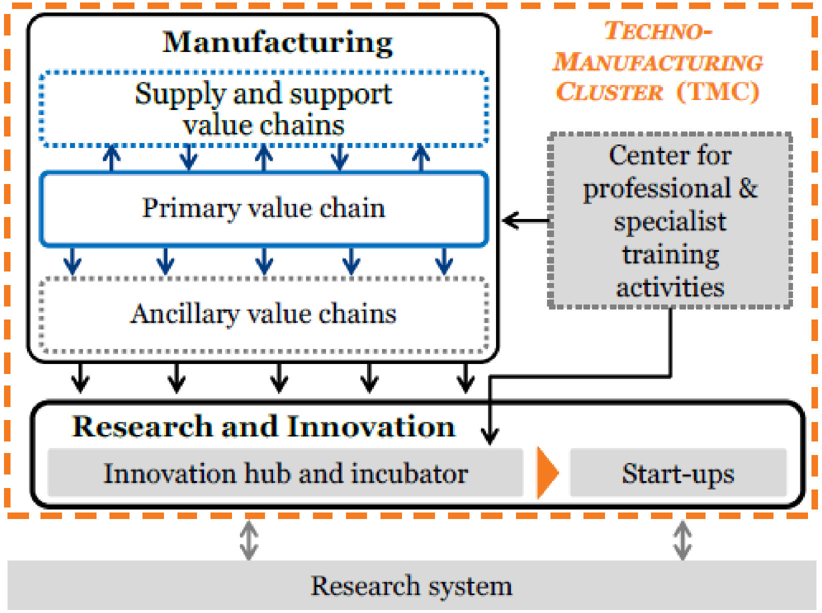


***Figure 4.** Illustrative scheme of the Techno- Manufacturing Cluster (TMC) concept (Source: TEH-A elaboration, 2016)*

Conclusion

- South Africa is core part of CLN's globalization strategy
- Through a structured approach and commitments from our customers, MA established business in SA which also consolidates our international collaboration with OEM's
- With our initiative in South Africa, MA not only achieved local success, we have also opened the gateway to Africa:
  - Sub-Saharan region
  - Nigeria

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