

Winning in China

March 2017

Agenda



- Some Background on China
- The Size and Structure of the China Market
- GM's history in China
- Why GM has done so well
- What next!

What is China

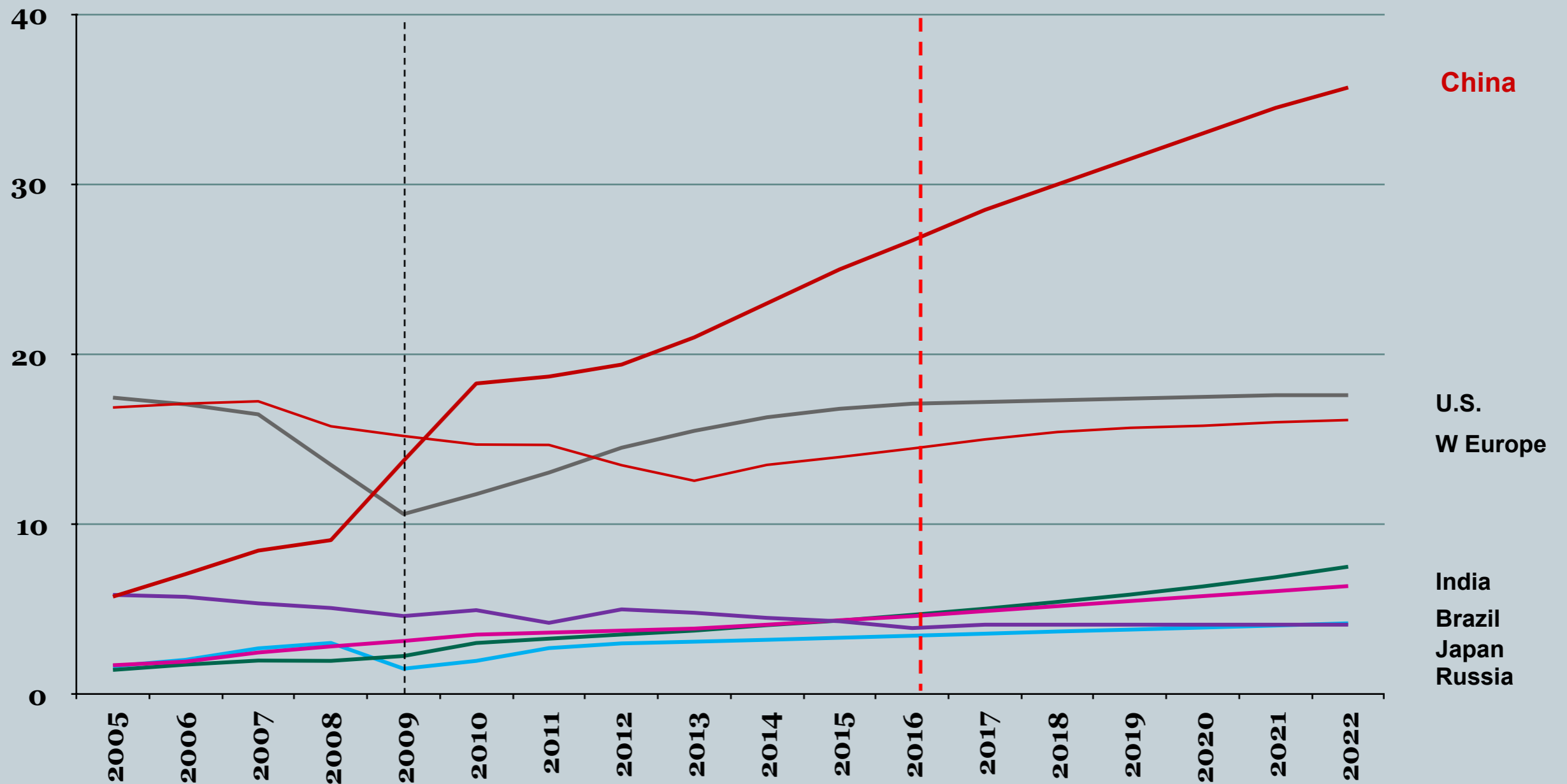


- It's Big - 1.3B people
- It's Connected (1.2B Mobile Phone subscriptions, 600M internet connections).....and Informed
- It's Diverse
- It has great Infrastructure (4.2M Paved Roads, Largest high speed railway system)
- It's increasingly Urbanised (51% urbanised, 160 cities greater than 1 million)
- It's Modern
- It's Materialistic
- It's Aggressive
- It's Complicated

The Largest Market in the World



Unit: M

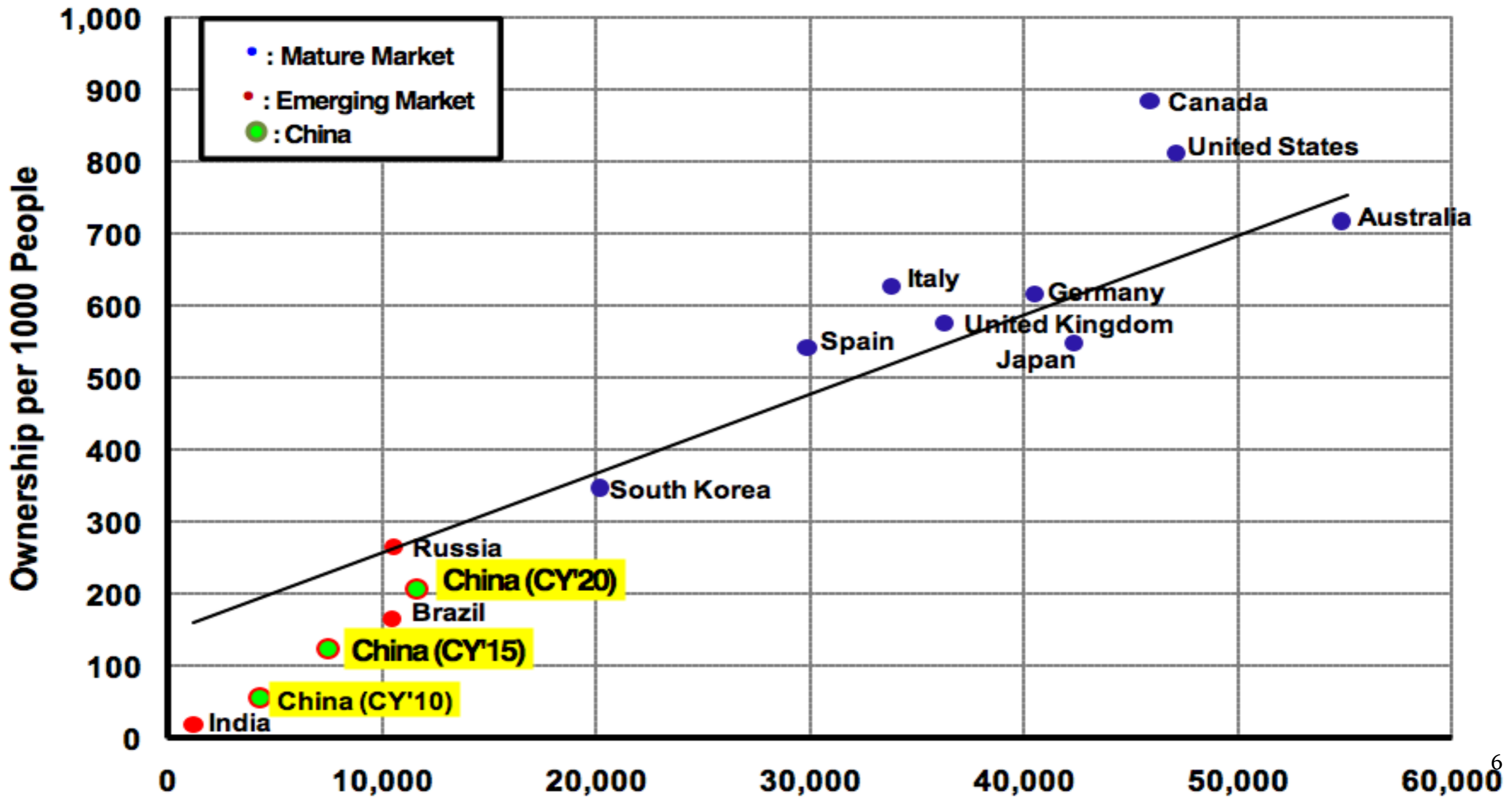


Still Room for Substantial Industry Growth



Global Comparison: 2010

GDP per Capita vs Ownership per 1000 People



What is Driving the Market



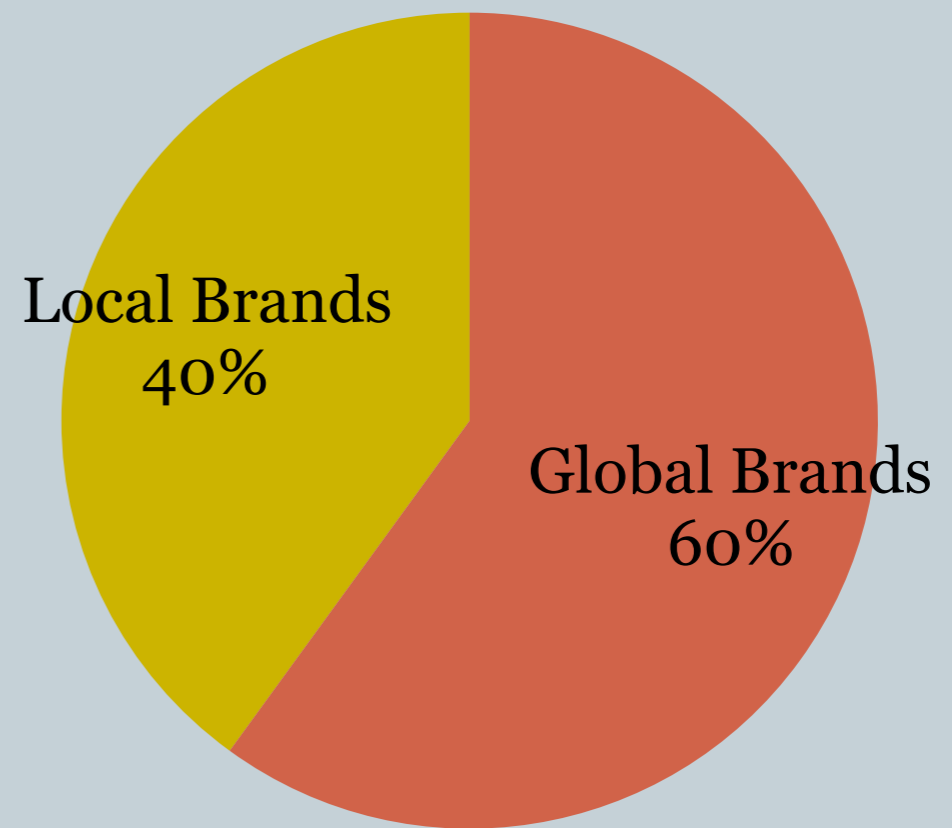
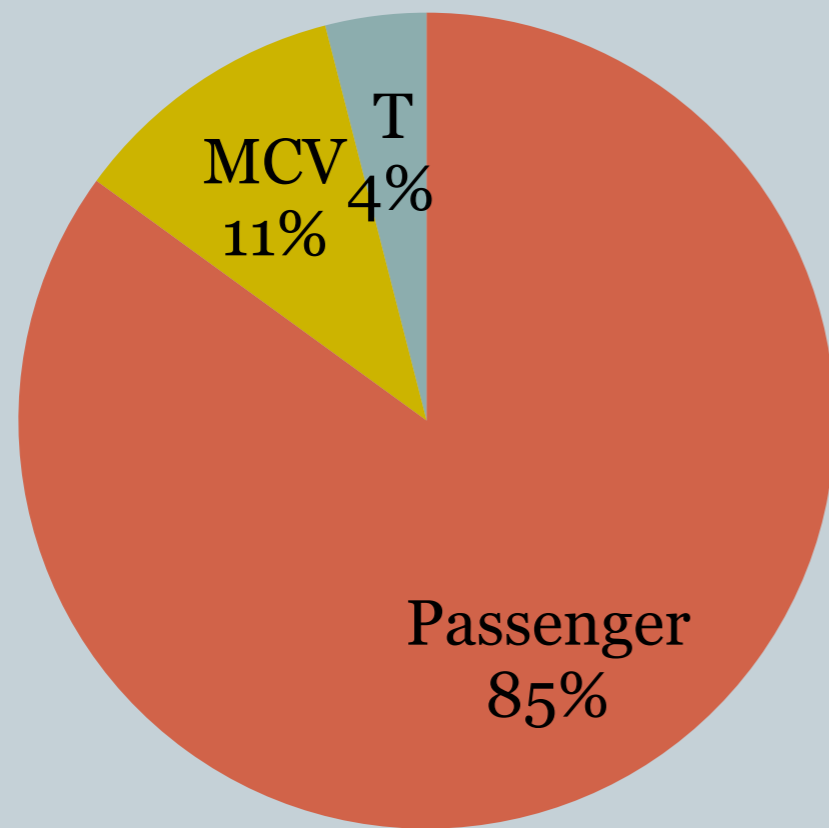
- GDP is strong and will continue to grow
- China wants to move quicker towards a consumer led economy
- Car ownership is low by any standard
- Infrastructure is good...encouraging road use
- Cars are aspirational
- Chinese increasingly value privacy and mobility
- Supply is extensive for all types of vehicles

What's Unique about the Chinese Market



- **Size.** The largest and fastest growing market in the world
- **Speed.** Nothing much different about the Chinese market except it moves 5 times faster than what we are used to!
 - grew by 850% over the last 15 years
 - new segments appear overnight (MPV's, SUV's)
 - rapid product development
 - new regulations (by 2020 China will be close to Europe in terms of emissions and fuel standards)
- **Complexity.** The dramatic opening up of China meant that many different consumer solutions opened up simultaneously
 - ✦ the mega rich
 - ✦ the successful middle class
 - ✦ the post 80's educated, global oriented singles and young families
 - ✦ the conservative, older, rural small business person
 - ✦ the traditional rural and migrant workers

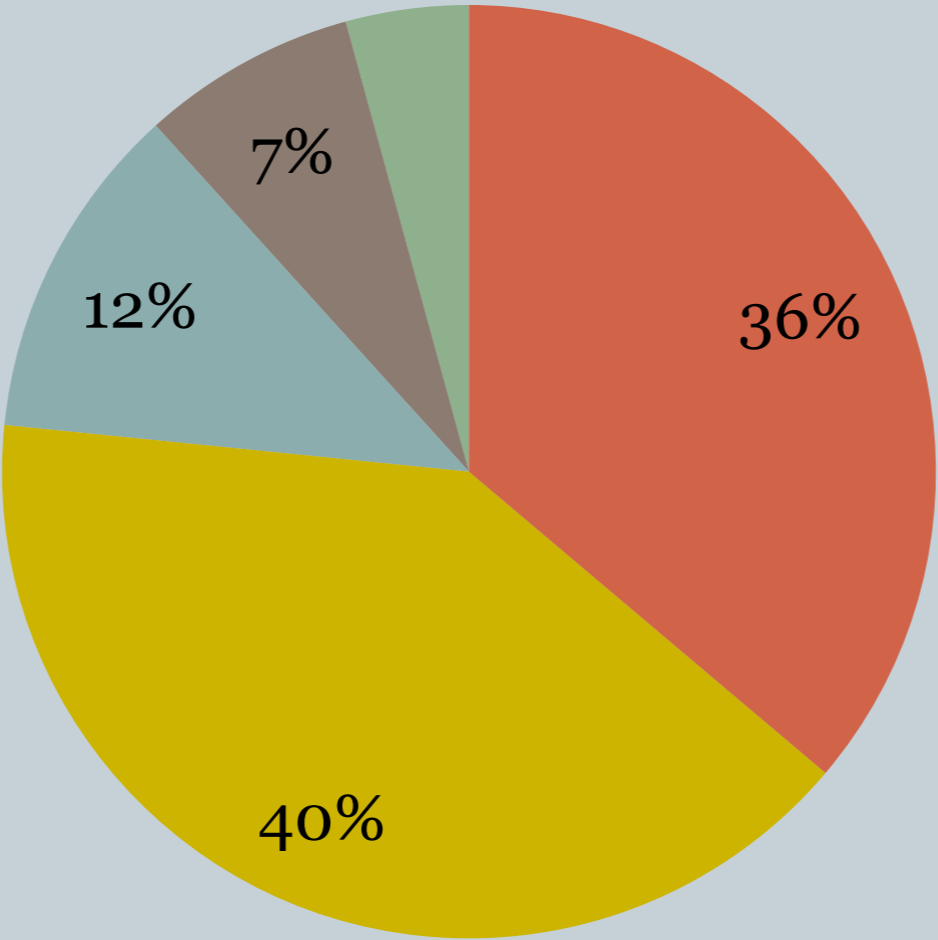
What Makes up the Market



What Makes Up the Market



Segment Split



- Compact
- SUV
- MPV
- Mid Size
- Luxury

...And the Winners Are



- GM and VW 14% each
- Followed by
 - ✦ Hyundai 6%
 - ✦ The Japanese 4-5% each
 - ✦ Ford 4%
 - ✦ The Europeans 2% each
 - ✦ The Indigenous brands 2-5% each

GM in China



- Very successful in China pre WW2
- Signed agreement with SAIC to re-enter the market in 1997. Committed to bring the best GM capability to China
- Started production with SGM in 1998 and commenced R&D joint Venture (PATAC)
- Invested in SGMW in 2001 for light commercial vehicle sales (34% equity share)
- Started GMAC JV in 2004
- Major investment in Shanghai Expo in 2010
- Opened Guangde Proving Ground 2012

GM's Growing Footprint



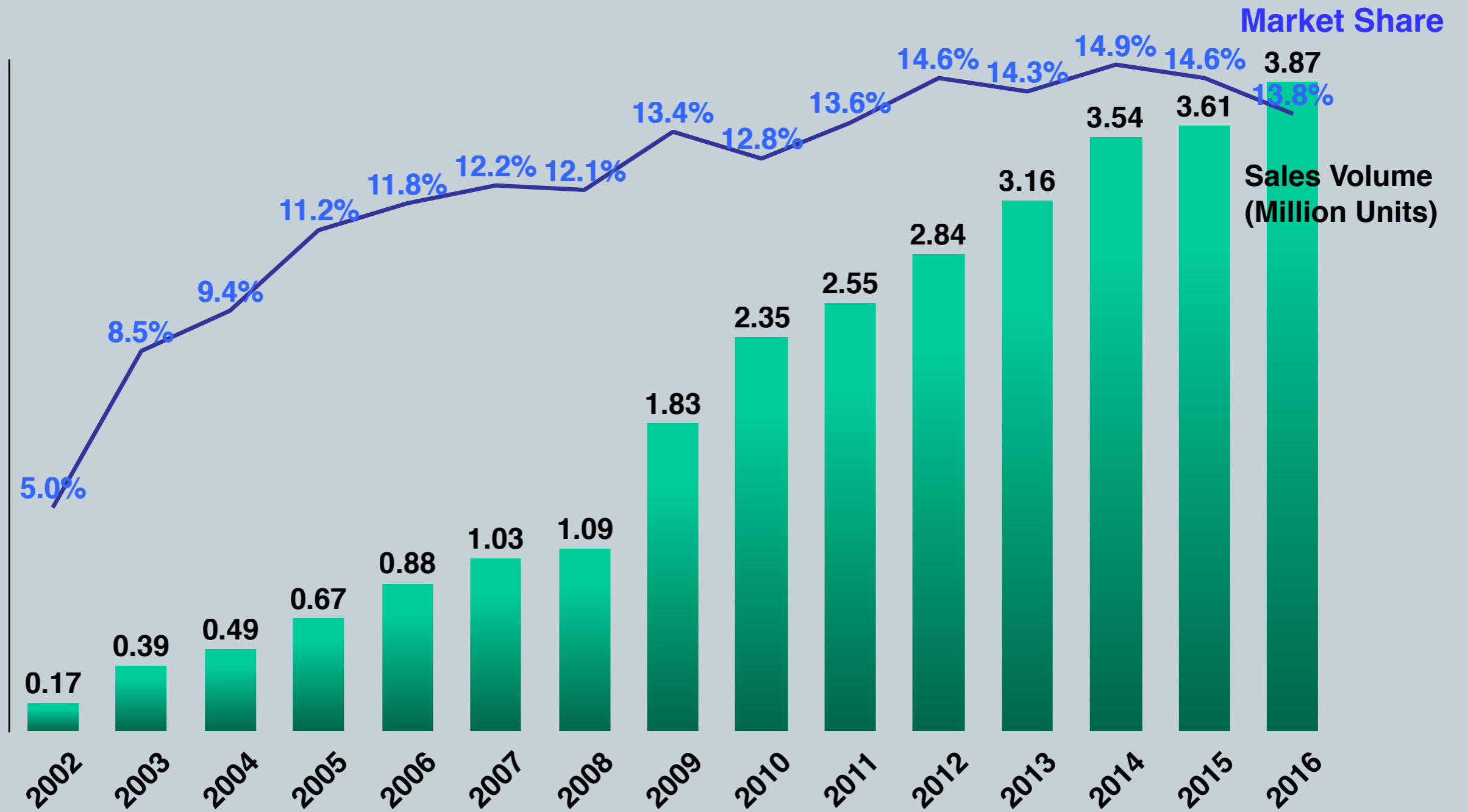
Sales by Brand - 2016

('000)



- Cadillac 116
- Buick 1180
- Chevrolet 525
- Wuling 1360
- Baojun 688

GM Volume and Market Share



Why has GM done so well



- Great leadership commitment at the top - Jack Smith, Rick Wagoner, Fritz Henderson
- Built a great foundation in China with Government and Partner before looking for commercial success - the Rudy Schlais effect
- Adapted to China better than competition (listened, learned and shared)
- Truly accepted and worked the “Partner model”
- Mastered leadership through influence (as opposed to Command and Control)
- Put great people in place - China capable
- Looked for growth ahead of the curve
- Understood the extended opportunities in China
- Had a clear set of strategies and stayed aggressive

How has China Benefitted GM



- Low initial investment. High dividend return. All investment self funded
- Very substantial annual royalty income
- Saved Buick brand globally
- Major support to Cadillac renaissance. January sales in China greater than US Cadillac sales
- Underpinned aggressive investment in Delta and Epsilon platforms (saved Opel...temporarily!)
- First investor in GM IPO following bankruptcy
- Drove more refinement and technology into GM global car design

What Next?



- Continued strong Growth - All respected economists forecasting annual growth of between 4.5 and 6% over the next 5 years
- Aggressive push on electrification - both components and vehicle
- Will hasten their export growth (no single champion like Hyundai but many smaller and capable players)
- **Risks** mainly centre on global political risk (the Trump factor) or social discontent (the GINI factor)
- Most other stories of China imploding are grossly overstated (Real Estate bubble, capital outflows, massive internal debt issues, loss of exports, lack of investment etc)

Back Up



The Prospects for the Indigenous Brands



- Great Wall – well managed company with great niche positioning
- BYD – the darling of the stock market, some major missteps, positioning in traditional car market obscure but strong profitability from bus and vehicle electrification models
- Chery – strong political base, very aggressive but over extended and brand strategy unclear
- Geely – very complicated. Complex multi brand strategy, average product, complicated Volvo integration
- Changan, Beijing Auto, JAC, Brilliance, Lihan....and many others

Market Potential in Pan Asia Market



Income Distribution (USD)

	0-2.5K	2.5-5K	5-10K	10-20K	20K -
China	29.5M	89.4M	113.2M	90.0M	60.4M
India	139.6M	77.6M	37.4M	8.7M	1M
Indonesia	15.1M	24.7M	19.3M	5.8M	0.7M
Thailand	1.1M	3.0M	7.7M	6.3M	5.6M

Distribution Network



- Multi brand strategy with extensive individual distribution networks

Buick	900
Chevrolet	800
Cadillac	200
Wuling	2500
FAW-GM	300