

Strategic Planning: *Drive Growth & Capture Opportunities*

August 31, 2021



About UHY

Top professional services firm with a broad set of consulting, audit, and tax capabilities

National Facts

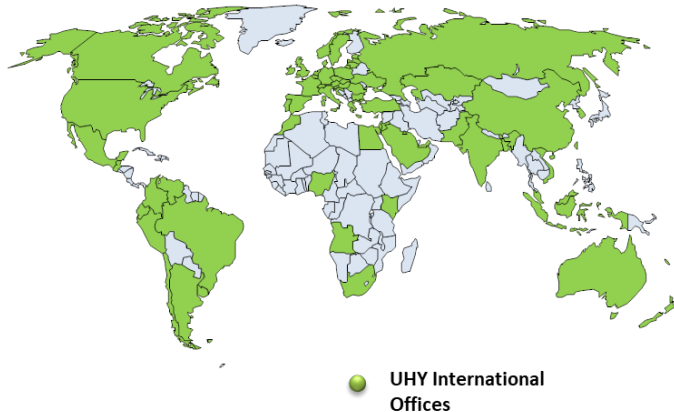
20+ Office
Locations

1,000+
Professionals

50+ Years of
Experience

International Coverage

- Top 20 global professional services firm
- 8,500+ professionals in 100+ countries



Comprehensive Services

- Consulting
- Corporate Finance / M&A
- Due Diligence
- Tax
- Audit / Assurance
- Forensic, Litigation, & Valuation
- International

UHY Consulting is a management consulting firm that leads companies through transformations that strengthen organizations. Our broad capabilities include:



Business & Strategy

Visioning, Strategic Development,
Organizational Design, Mergers and
Acquisitions and Turnaround Services



Organization & Operations



Solution Partners



Technology Innovation



Finance & Accounting



Cybersecurity

Why Prioritize Strategic Planning?

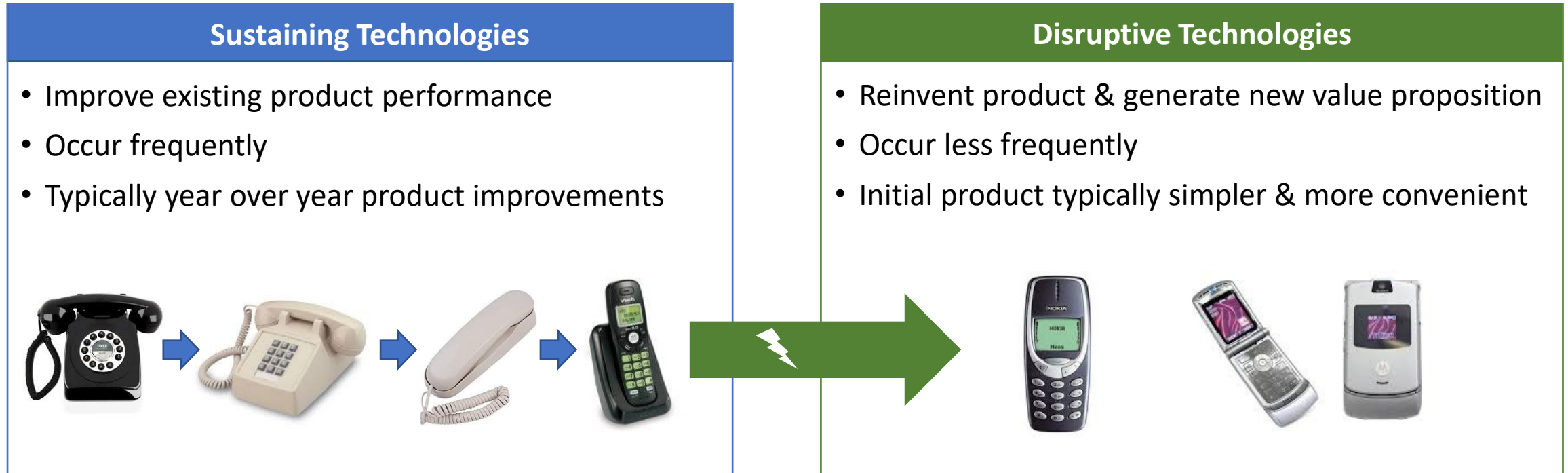
**Companies that
prioritize frequent
strategic planning:**



Disruptive Trend Example – Product Technology Innovation

Identify & develop strategies for disruptive technologies before they overtake sustaining technologies

➤ 52% of Fortune 500 companies in the year 2000 no longer exist



Sources: “The Innovators Dilemma” by Clayton Christensen, MIT

Manufacturing Trends Example



Supply Chain Disruption



- Chip shortages
- Raw material shortages

Product/Service Innovation



- Material enhancements
- Value add services

Labor Shortage



- Skilled labor
- Turnover
- Technology positions

Reshoring



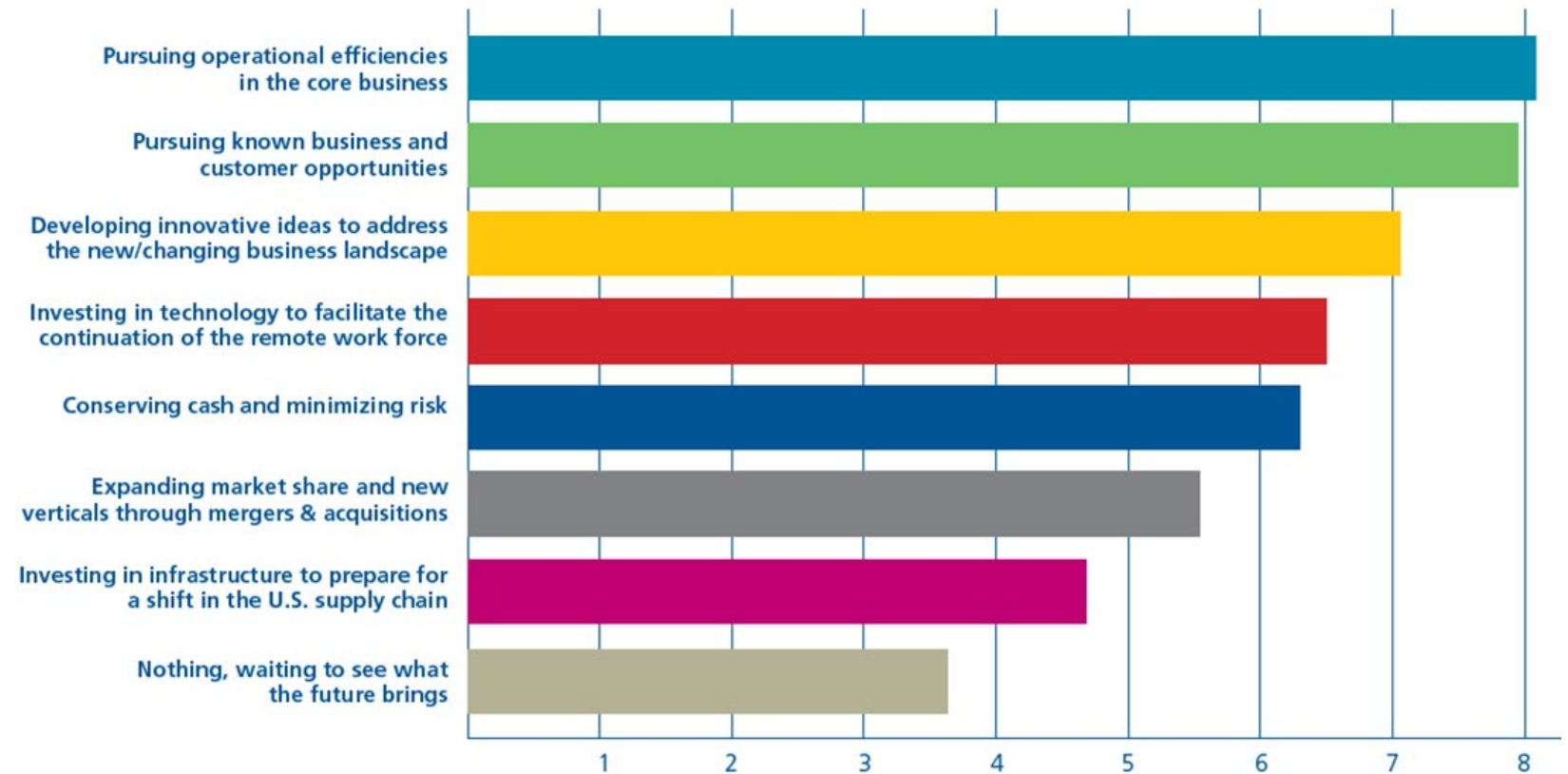
- Re-evaluate supply chain
- Executive orders
- Dual source

Sources: Aethon

Strategic Priorities of Middle Market Companies

Key priorities include operational efficiencies, market/product expansion, & technology improvements

In which ways are you preparing for the post pandemic road to recovery?
(Rank your top 3)

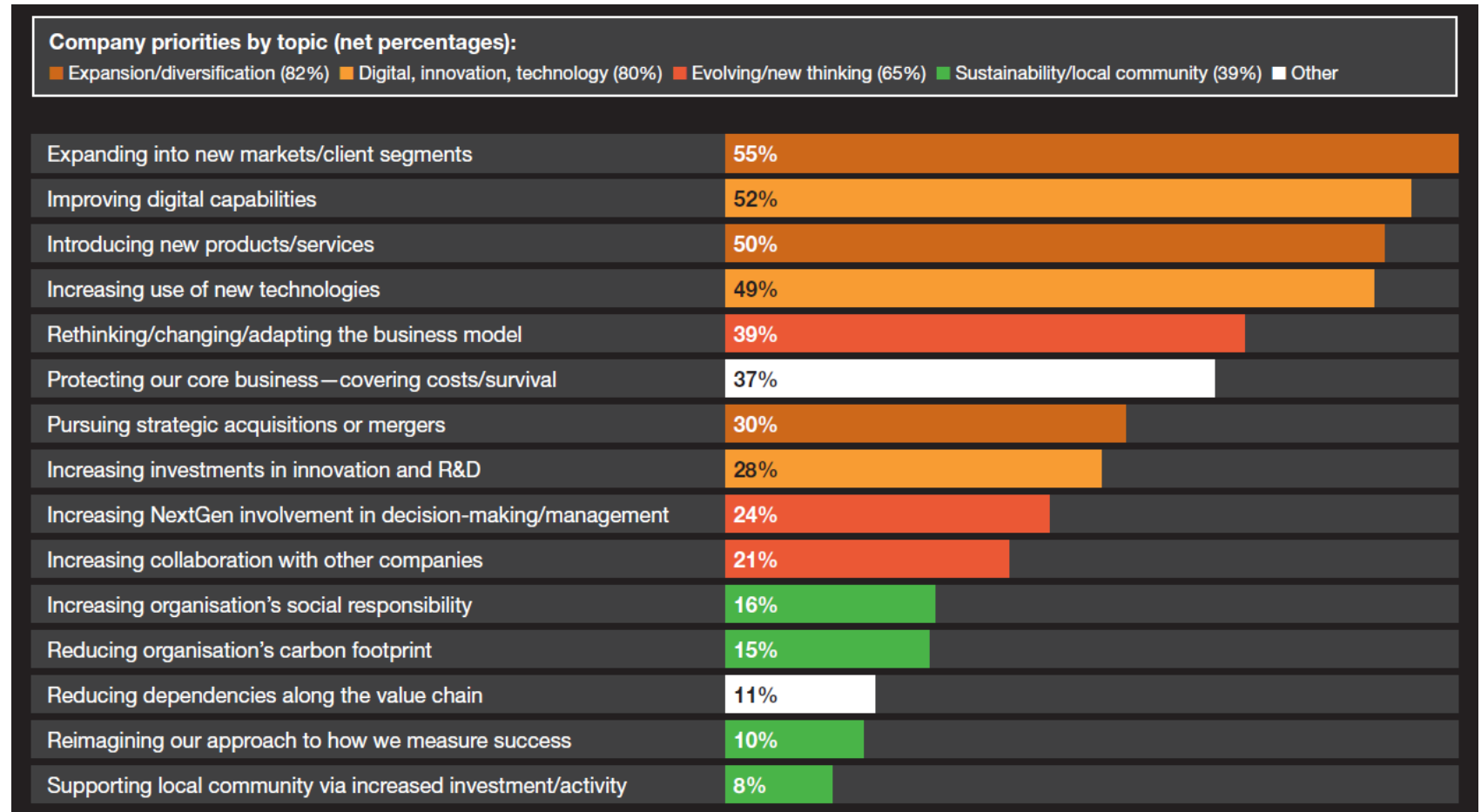


Sources: UHY Middle Market Survey

Strategic Priorities of Family Businesses

Key priorities include market/product expansion & technology improvements

Company priorities by topic (Net Percentages)



Sources: PwC Family Business Survey

What Are Roadblocks To Strategic Planning?

Harvard Business Review Study found 85% of executive leadership teams spend less than one hour per month discussing strategy and 50% spend no time at all

Your organization is becoming more lean and your leadership team's scope of responsibilities are increasing

- Makes it difficult to prioritize strategy development
- Most middle market companies do not have dedicated strategy departments

Strategic decision making process is challenging and creates feelings of stress, anxiety, and uncertainty

Example Strategic Decisions

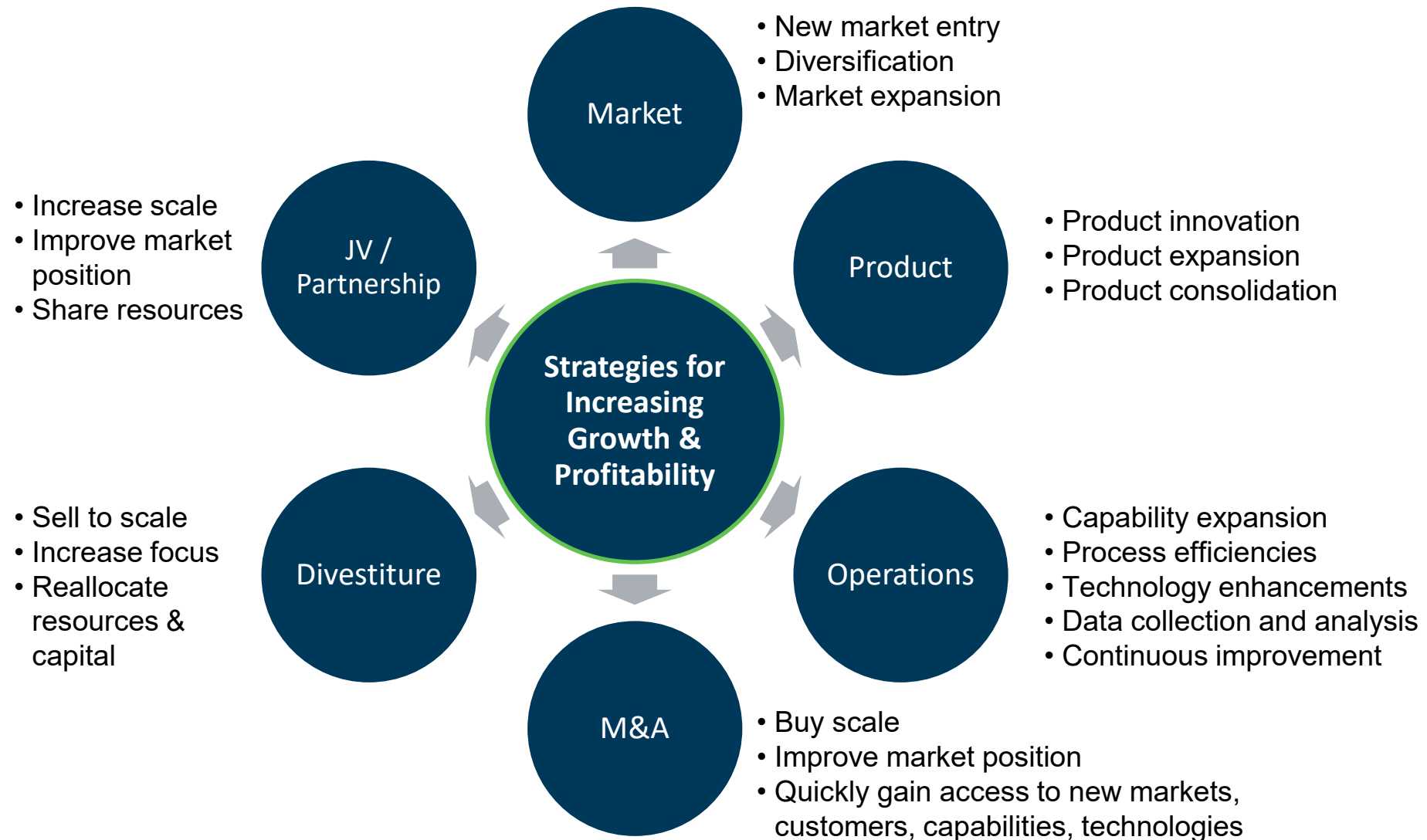
- Entering a new market
- Expanding a product line
- Acquiring a competitor
- Divesting a business unit
- Forming a JV / partnership
- Navigating disruptive trends

What Keeps You Up At Night?



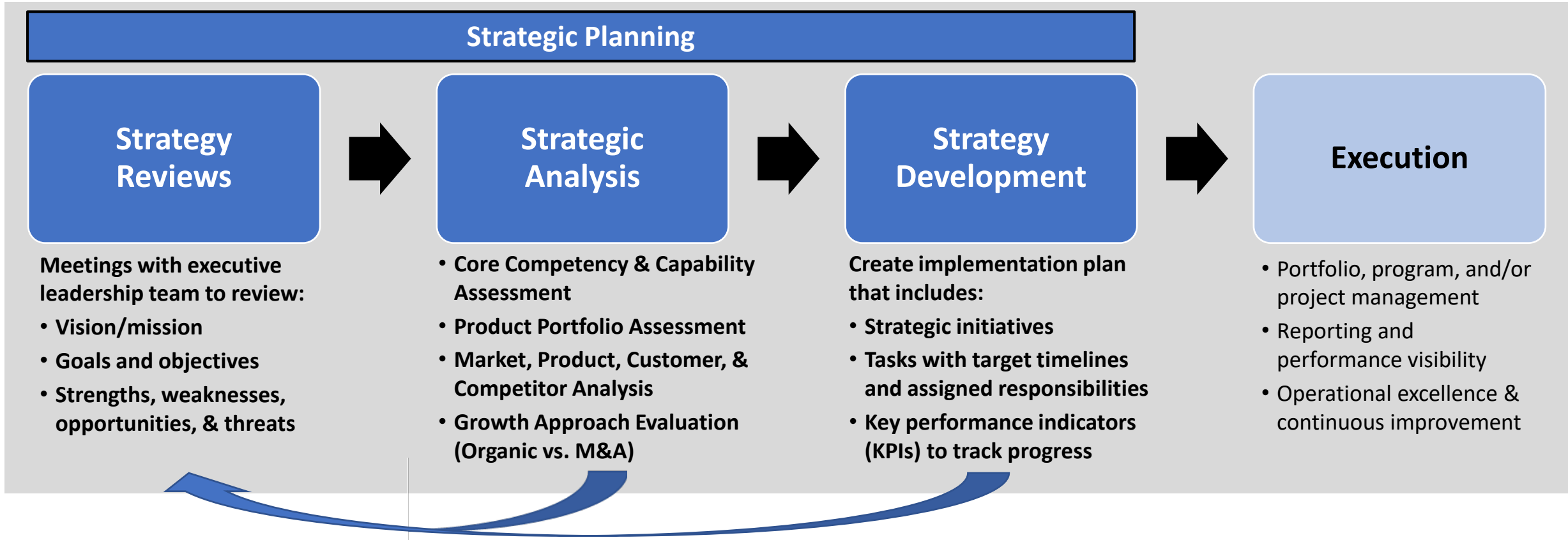
Sources: Harvard Business Review

Strategies For Increasing Growth & Profitability



Strategic Planning Framework

Strategic planning is an on-going process not a one time event – need to be prepared to adjust



Strategic Planning Framework – Strategy Reviews

Meetings with leadership team to review vision/mission, goals, competitive position, & current strategic initiatives

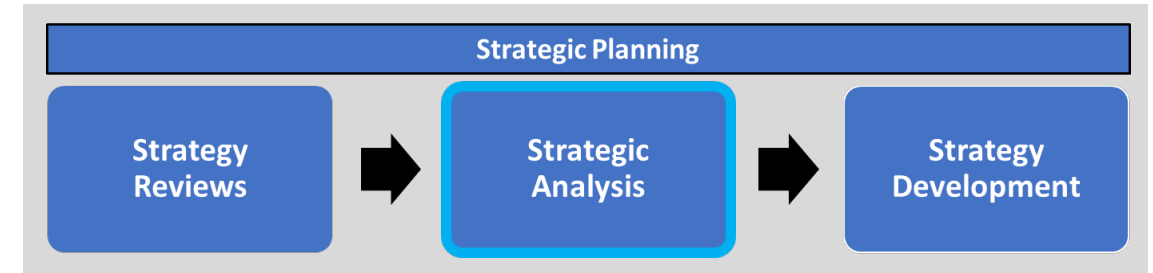


Key Activities	Purpose of Activity
Vision/Mission	Align internal & external stakeholders on what you want to achieve and how you plan to achieve it
Short & Long Term Goals and Objectives	Set clear, specific, measurable, goals that align with your company's vision
Competitive Position	Assess strengths & weaknesses within your company and opportunities & threats external to your company
Strategic Initiatives	Review current strategies and their ability to achieve goals and objectives
Key Performance Indicators	Track progress towards goals and objectives

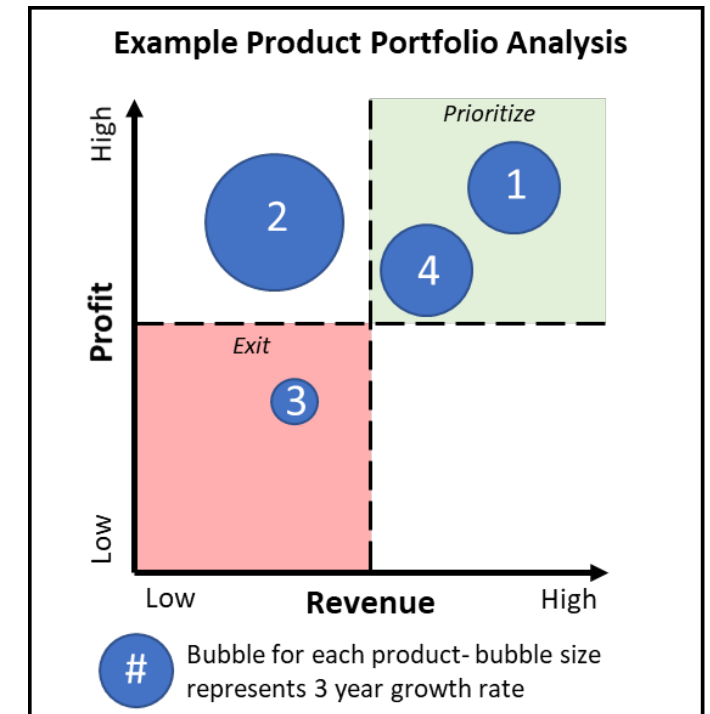


Strategic Planning Framework – Strategic Analysis

Research and data analysis needed to determine the best strategic approach



Key Activities	Purpose of Activity
Market/Product Analysis	Analyze market/product size, growth, & trends
Customer Analysis	Define current & future customer needs
Competitor Analysis	Determine capabilities, product pipeline, key customers
Product Portfolio Analysis	Assess product set profitability & demand
Core Competency & Capability Assessment	Profile capabilities & determine capability gaps
Growth Approach Evaluation (Organic vs. M&A)	Evaluate appropriate growth approach that increases growth, limits investment, and decreases time to market



Strategic Planning Framework – Strategy Development

Create implementation plan for the strategic approach identified in the strategic analysis phase



Strategy	Key Activities
Market	<ul style="list-style-type: none">• Develop strategic initiatives
Product	<ul style="list-style-type: none">• Identify key tasks with target completion dates
Operations	<ul style="list-style-type: none">• Assign responsibility to tasks
M&A/Divestiture	<ul style="list-style-type: none">• Create key performance indicators (KPIs) to track progress of strategic initiatives and tasks
JV/Partnership	<ul style="list-style-type: none">• Outline key assumptions and risks critical to successful execution of the plan

*Roadmap to Execute Your Strategy
With Confidence & Pride*



Benefits of Strategic Planning

- **Creates proactive strategies rather than reactive**
 - Seize growth opportunities, increase profitability, create competitive advantages, react quicker to disruptive trends
- **Incorporates data into the strategic decision making process**
 - Avoids costs and challenges that can result from poor, non-data driven strategic decisions
- **Prioritizes efforts**
- **Allocates resources effectively**
- **Creates a forward focused roadmap that aligns stakeholders at all levels of the company**
 - Increases sense of responsibility and accountability throughout the organization
 - *Harvard Business Review study revealed on average 95% of a company's employees do not understand the company's strategy*
 - *Study also revealed that 90% of businesses fail to meet their strategic targets*

Sources: Harvard Business Review, Investopedia, Corporate Finance Institute

Who Should Participate in the Strategic Planning Process?

Strategic plan is ultimately the decision of the leadership team but the strategic planning process may include one or more of the participant groups below

Leadership team

- Typically senior management team

Other key stakeholders

- Staff responsible for long term planning
- Leaders of strategic initiatives

Outside advisors

- Drive organization & efficiency to the process
- Research and data analysis capabilities
- Bring outside perspective, different ideas

Board of Director members

- Typically approves strategic plan
- Holds management responsible for execution

Incorporating diverse perspectives into the strategic planning process helps to remove bias

Bias Type	Description
Recency	Select option fresh in-mind
Inertia	Select option that allows you to think/act in familiar ways
Confirmation	Only use information/data in decision making process that supports your viewpoint

CASE STUDY

Disruptive Change – Historical Transportation Example

The motor vehicle was a disruptive change that quickly transformed the personal transportation industry and it's surrounding infrastructure

Year 1900: One Motor Vehicle



13 Years

Year 1913: One Horse & Carriage



Additional Changes

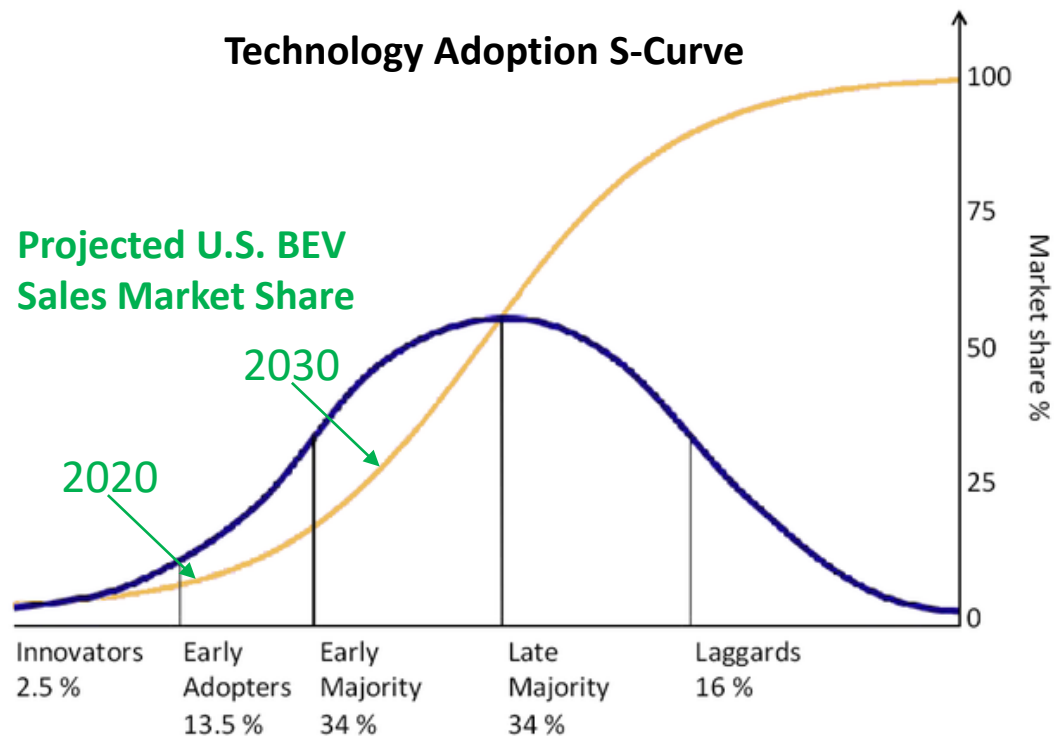
Change	1900	1913
Mode of Transport	Horse & Buggy	Motor Vehicle
Fuel Source	Food/Water Troughs	Gasoline
Road Type	Dirt	Pavement
Primary Vehicle Materials	Wood	Metal, Rubber, Glass
Vehicle Lighting	Candles	Electric Headlights

Sources: U.S. National Archives, George Grantham Bain Collection, Building Context

Disruptive Change – Electric Vehicles

Rapid acceleration of adoption expected over next 10 years

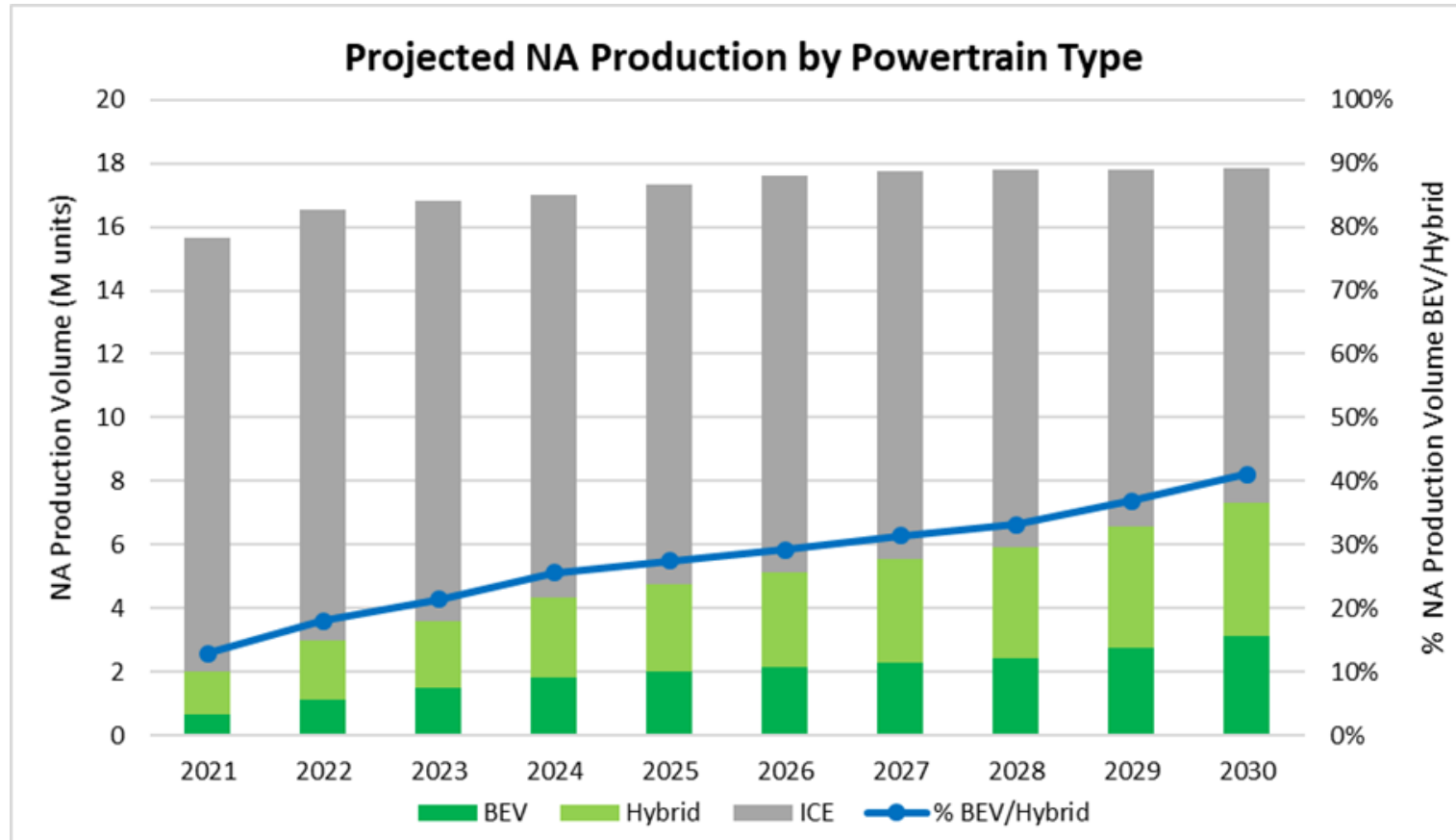
Customers projected to shift from innovators/early adaptors to early majority over the next 10 years



Companies are more likely to be successful if electrification strategies are planned and executed before the adoption s-curve reaches the early majority customer segment

Sources: University of Michigan Energy Institute

NA Light Vehicle Production Forecast By Powertrain Type



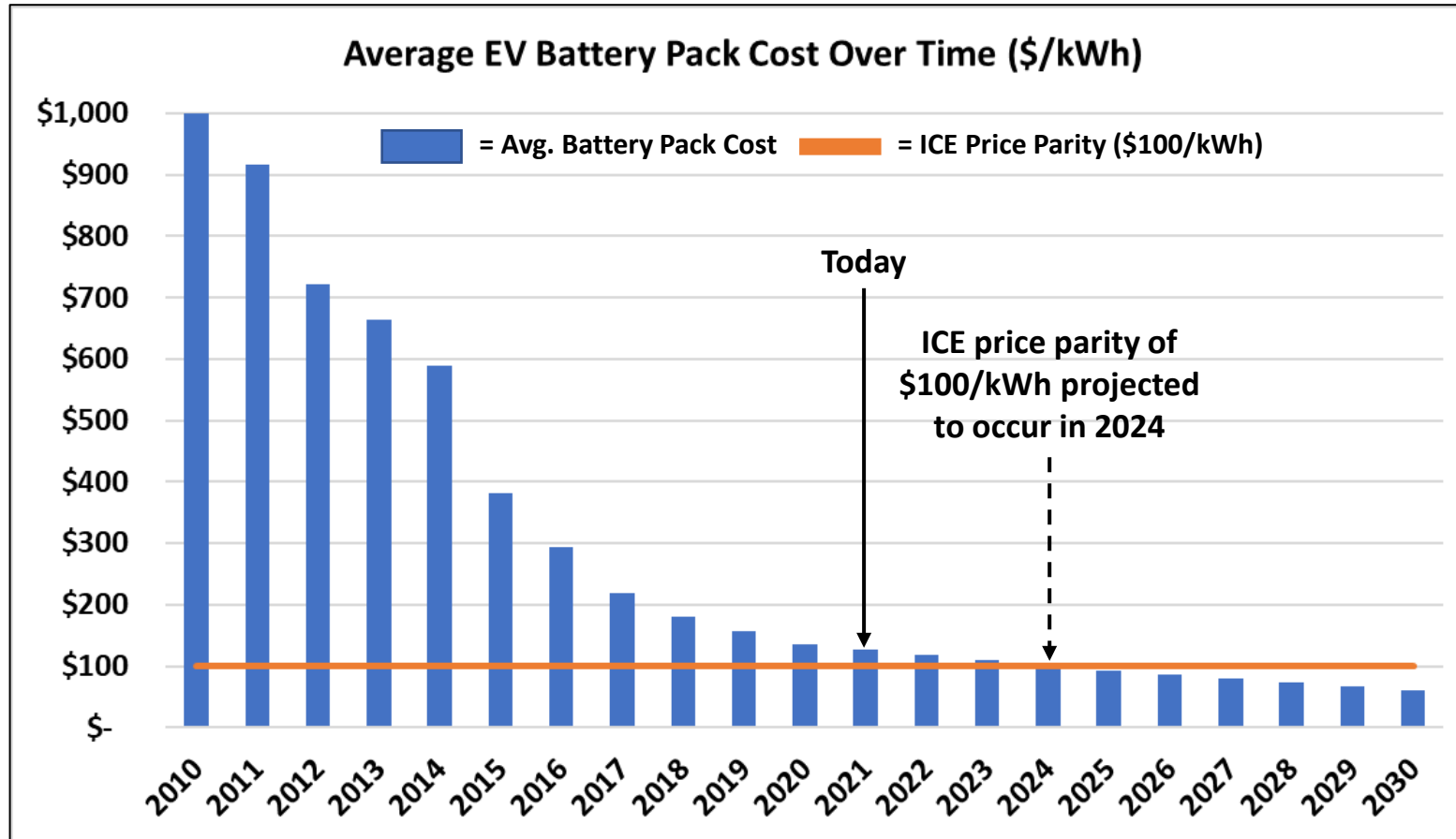
OEMs have announced \$200B+ of investment in EVs since 2020

Examples include:

- Volkswagen = \$55B
- Daimler = \$47B
- Stellantis = \$36B
- General Motors = \$35B
- BMW = \$32B
- Ford = \$29B
- Tesla = \$12B
- Hyundai = \$7B
- Toyota = \$5B

Sources: LMC Automotive, IHS, Paul Eichenberg, KPMG, UHY Analysis

Battery Cost Nearing Price Parity of ICE Vehicles



Average battery pack cost decreased 87% between 2010 and 2020

- Momentum from expanding production
- Innovation in battery chemistry

ICE price parity projected in 2024

- Segment leaders expected to reach this point by 2022/23

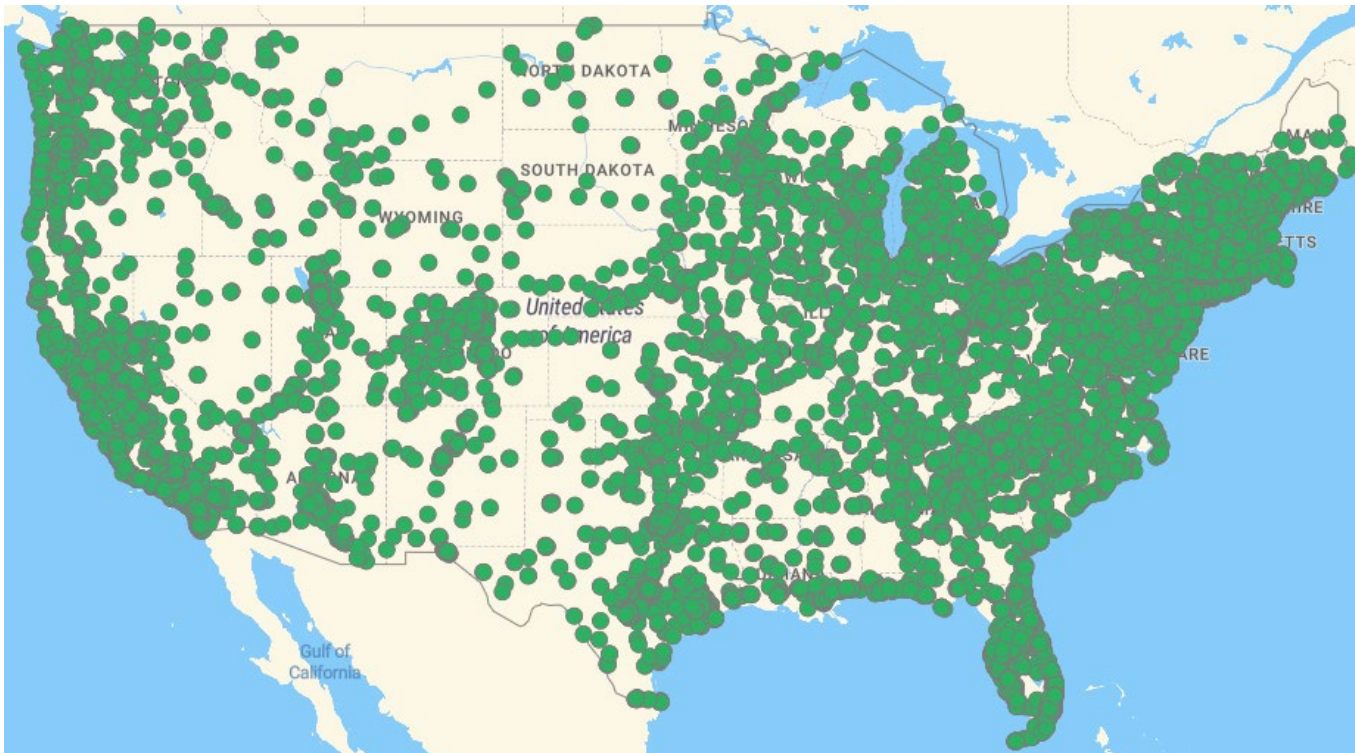
2030 projected average battery pack cost = \$60/kWh

Sources: Bloomberg New Energy Finance (NEF), Green Car Report, S&P Global, UHY Analysis

Charging Infrastructure is Growing

Electric vehicle charging infrastructure has increased significantly over time

Public Charging Stations in the U.S. Today



EV Charging Station Growth Over Time

Year	Est. # Charging Stations	Est. # Charge Points
2008	200	430
2012	4,500	12,000
2016	14,900	40,075
2020	28,000	75,000

Gas Stations in the U.S. Today



Est. # Gas Stations = ~115K






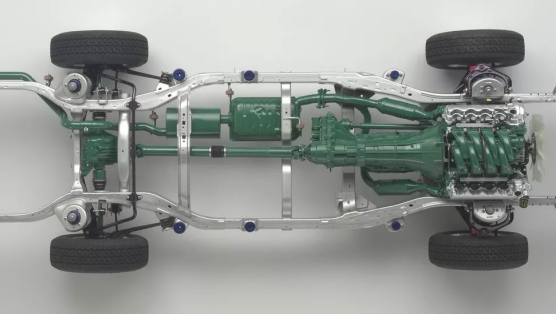

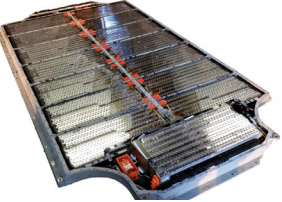






Est. # of Gas Pumps = ~920K*

*Assuming avg. 8 pumps/station






Sources: U.S. DOE Alternative Fuels Data Center, Bloomberg NEF, IBISWorld, Electrek, Clean Technica

Electrification Impacts Every Vehicle Sub System

Expected to impact every vehicle sub system over the next 5 – 10 years

	Powertrain/Drivetrain	Chassis	Interior/Exterior
Traditional ICE Vehicle	 Internal Combustion Engine (ICE)  Transmission  Exhaust  Fuel Tank  Alternator / Starter	 Traditional Chassis	 IP; Buttons, Knobs, Touch Screen Controls
Battery Electric Vehicle	 Battery Pack  Electric Motor  DC/DC Converter  Inverter  Onboard Charger	 Skateboard Chassis	 No IP; Single Touch Screen Controls

Example OEM & Tier 1 Supplier Electrification Strategies

Strategy	Electrification Examples		Advantages of Strategy
Joint Venture/ Partnership		Ford & Volkswagen Alliance - includes shared use of VW's Modular Electric Toolkit (MEB) EV platform	<i>Share resources & technology to scale & improve market position</i>
Acquisition		Dana Acquires TM4 – provides in-house electric motor, power inverter, & control system capabilities	<i>Quickly gain access & control of new technologies & capabilities</i>
Divestiture		AAM Sells Grede – sold casting operations to streamline business, reduce debt, & enhance margin profile	<i>Allocate resources & capital to higher priority products/services</i>
Market Entry/ Expansion		Big River Steel Expands Electrical Steels – \$1.2B expansion includes anneal coating line, reversing cold mill, & slitting/blanking for production of non-grain oriented electric steels	<i>Utilize capabilities to diversify offerings & increase growth</i>
Product/Service Commercialization		Plugless Wireless EV Charger – first to market commercial application for wireless, inductive EV charging	<i>Differentiate in the market and increase growth</i>

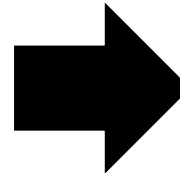
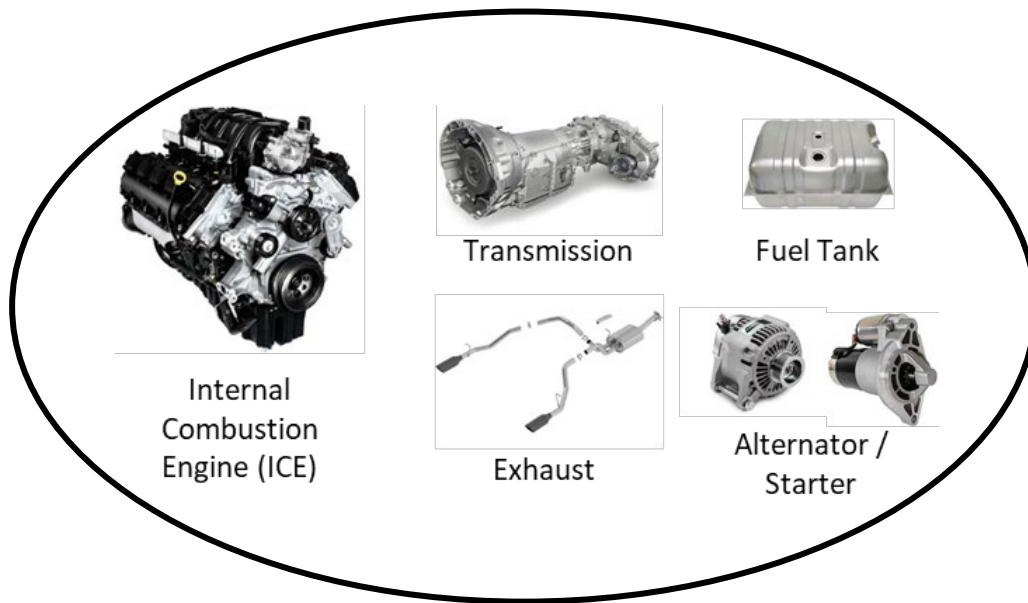
Sources: Company Websites and Annual Reports, Steel Times, Business Wire

What About The Tiered Supply Base?

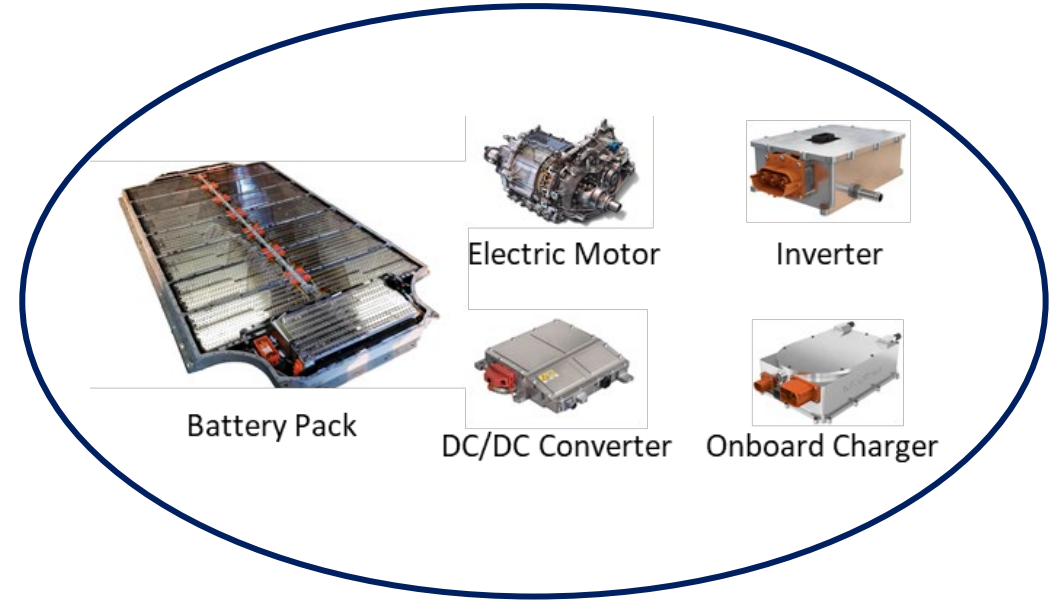
Example – metal stamper/caster producing ICE powertrain components today

Full Battery Electric Vehicles (BEVs) eliminate traditional ICE powertrain components

Traditional ICE Vehicle



Battery Electric Vehicle





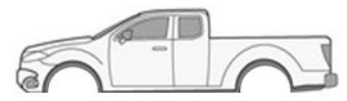

Metal Stamping/Casting Impacts & Opportunities

New opportunities and technologies require strategic planning to determine best strategic approach

Material (Process)	Expected Electrification Impact on Powertrain Components	New Opportunities and/or Technologies
Metal (Stamping)	Different components that still require stamped parts	<ul style="list-style-type: none">• Materials (AHSS, high strength aluminum)• Non-powertrain automotive components• Electrical steels (motors, charging stations)• Battery enclosures, battery cell casings, housings
Metal (Casting)	Large cast blocks for engine and transmission are eliminated	<ul style="list-style-type: none">• Non-powertrain automotive components• Non-automotive markets



Product Expansion Strategy – Skateboard Platform

Skateboard Chassis	Description
 <p data-bbox="1184 428 1528 506">Example Top Hats for Skateboard Platform</p> <div data-bbox="1197 556 1516 664">  <p data-bbox="1324 678 1388 714">SUV</p> </div> <div data-bbox="1197 749 1541 849">  <p data-bbox="1274 856 1465 892">Pickup Truck</p> </div> <div data-bbox="1184 935 1516 1049">  <p data-bbox="1324 1063 1388 1099">Van</p> </div>	<p data-bbox="1605 378 2420 471">Traditional ICE Platforms are complex designs that vary across vehicle types and models</p> <ul data-bbox="1605 521 2114 571" style="list-style-type: none"> • Large cost drivers for OEMs <p data-bbox="1605 621 2420 714">EV Skateboard Platforms are simple designs that can be used across vehicle types/models</p> <ul data-bbox="1605 763 2420 1113" style="list-style-type: none"> • Different top hats can be placed on the same skateboard resulting in cost savings to OEMs • Battery is used as a structural component - adds strength and low center of gravity • Flat floor of cabin increases interior space


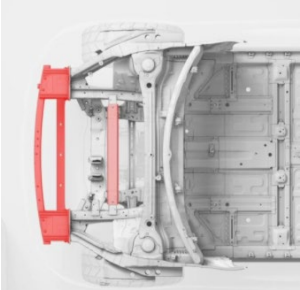
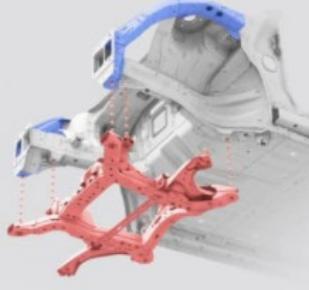
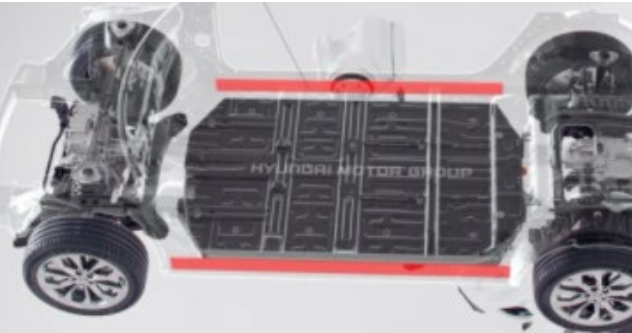
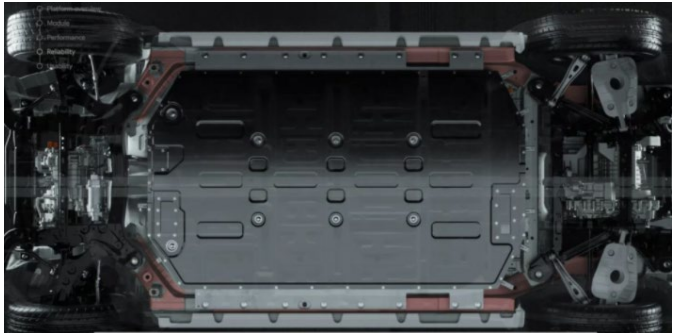
Sources: Rivian, Stamping Journal, Car & Driver

Product Expansion Strategy – Skateboard Components

Strong material and processing capabilities are required to manufacture skateboard platform components

Equipment	Stamping Press Capacity & Applications <ul style="list-style-type: none"> • 500 – 3,000 U.S. tons (med/large components) • Cutting, Bending, Extrusion
Materials	Steel and Aluminum are primary materials used to manufacture skateboard components High Strength Steels (HSS) expected to increase due to strength & light weight characteristics <ul style="list-style-type: none"> • 3rd Gen. AHSS may offer alternative to Hot Stamping
Processes	Cold Forming produces lightweight materials at a faster rate than hot forming Hot Forming produces higher strength, thinner pieces Welding Capabilities to bond and join components

Sample of Tiered Suppliers	
   	
   	

Examples of Metal Sub-Components	
Structural and Safety Components 	Crossbar & Subframe Joining Structure  
Vehicle Side Stills 	Structural Components Surrounding Battery 

Sources: Rivian, Stamping Journal, Hyundai, Automotive News, Metal Forming Magazine

Contact Information

Our experienced Strategy Consulting team is ready to help advise your strategic planning process

Please contact us with any questions



Dan Bruce

Senior Manager | Strategy Consulting

Email: dbruce@uhy-us.com

Phone: (586) 840-3646