The Chinese Are Coming
How Big, How Fast, How Powerful?
February 1, 2017
Chinese New Year: Hey Buddy, No Cuts
From Revolutionary to Pragmatic
All China Understanding ...
Starts With The People in Charge

“Who are our friends who are our enemies?”

“Black Cat, White Cat, If It Catches Mice, It’s a Good Cat”
Chinese Auto Companies Are Already Here

**Happening Now**

- Midwest Suppliers
- California EV/AV
- Volvo & Buick

**Coming By 2020**

- GAC Trumpchi & Co – Price
- Lynk & Co. - Direct Model
- Acquisitions - (FCA?)

Strategic Shift Started in 2010, Accelerated in 2015
Chinese Entry Started with Acquisitions in 2010

Beijing West Industries (BWI) acquired Delphi Advanced Testing in 2010 for US$ 100 million.
2010-2016: 128 Investments, Worth $5 Billion

Yanfeng (Revenues $11B) Started Out as a Junior Partner to Visteon.
Chinese EV/AV Base Camp in California

Design in...
Costa Mesa
Gardena
Los Angeles
San Jose
San Jose
Sunnyvale

Build in...
Costa Grande, AZ
Lancaster
Las Vegas, NV
Moreno Valley

Funded by Ambitious Chinese Internet Billionaires
Faraday Future Presents The World's Quickest Electric Vehicle

FF financials are shaky but the product is the real deal.
Next EV Introduces the NIO EP9, the World's Fastest Electric Vehicle

"We aim to build a robot that looks like a car."
- Padmasree Warrior, COO, NIO
Wanxiang Group Owns Karma, the Re-incarnated Fisker

Purchase Price: $149M. Production in Moreno Valley, California.
BYD Sells $550K to $1.2M Buses to Stanford University, City of Long Beach

Warren Buffett & Bill Gates Investors; Production in Lancaster, California.
A "Wait-But-What" Moment: China-Built Buicks Shipped to the US

Volvo, Buick, Cadillac in 2017. Volkswagen next?
A Massive, Protected Home Market.

<table>
<thead>
<tr>
<th>Year</th>
<th>Units</th>
<th>Imports Share</th>
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<tbody>
<tr>
<td>2000</td>
<td>2M</td>
<td>4%</td>
</tr>
<tr>
<td>2005</td>
<td>6M</td>
<td>3%</td>
</tr>
<tr>
<td>2010</td>
<td>18M</td>
<td>4%</td>
</tr>
<tr>
<td>2014</td>
<td>24M</td>
<td>6%</td>
</tr>
<tr>
<td>2016</td>
<td>27.5M</td>
<td>3.6%</td>
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Source: OICA
But Aren't Shanghai Streets Covered With Buicks, VWs and BMWs?

<table>
<thead>
<tr>
<th>Make</th>
<th>Keep</th>
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<tbody>
<tr>
<td>GM</td>
<td>3.87 M</td>
</tr>
<tr>
<td>Ford</td>
<td>1.25 M</td>
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<tr>
<td>Jeep</td>
<td>133,000</td>
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Summary: Most of the money stays in China with Chinese companies.
Deng’s Strategy for China - Build Cars to Call their Own.

Strategy

• Set Up 50/50 JVs

• Get Know-How

• Build Our Own
Sleeping in Same Bed, Dreaming Different Dreams

The Kit Price Wars 1980 - 2000

The Concubine Economy 2000 - 2010

The End of the Beginning 2010 - 2020
China Targets Global Leadership in EVs: One Stone, Three Birds

1. Minimize Oil Imports
2. Fix Air Pollution
3. Lead in a Technology

Aggressive EV Tech Transfer Demands on Global Automakers.
Beijing Leaders Invite Internet Billionaires to Join in 2014

Chinese Internet Money Swarms into California.
### What's Coming Just Around the Corner?

<table>
<thead>
<tr>
<th>Imports?</th>
<th>Direct Sales?</th>
<th>Capital!</th>
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<tr>
<td><img src="image" alt="Trumpchi GS4" /></td>
<td><img src="image" alt="LYNK&amp;CO" /></td>
<td><img src="image" alt="M&amp;A" /></td>
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</tbody>
</table>

- **Imports?**
  - Trumpchi GS4.
- **Direct Sales?**
  - LYNK&CO
- **Capital!**
  - M&A

"I want new plants built here for cars sold here!"
- Donald J. Trump, January 24, 2017