THE AFTERMARKET AND THE EV WAVE

Status, lessons learned and the way ahead

August 2024

MEKO

THE AUTOMOTIVE AFTERMARKET TODAY

Pehr Oscarson
President and CEO, MEKO

This is MEKO

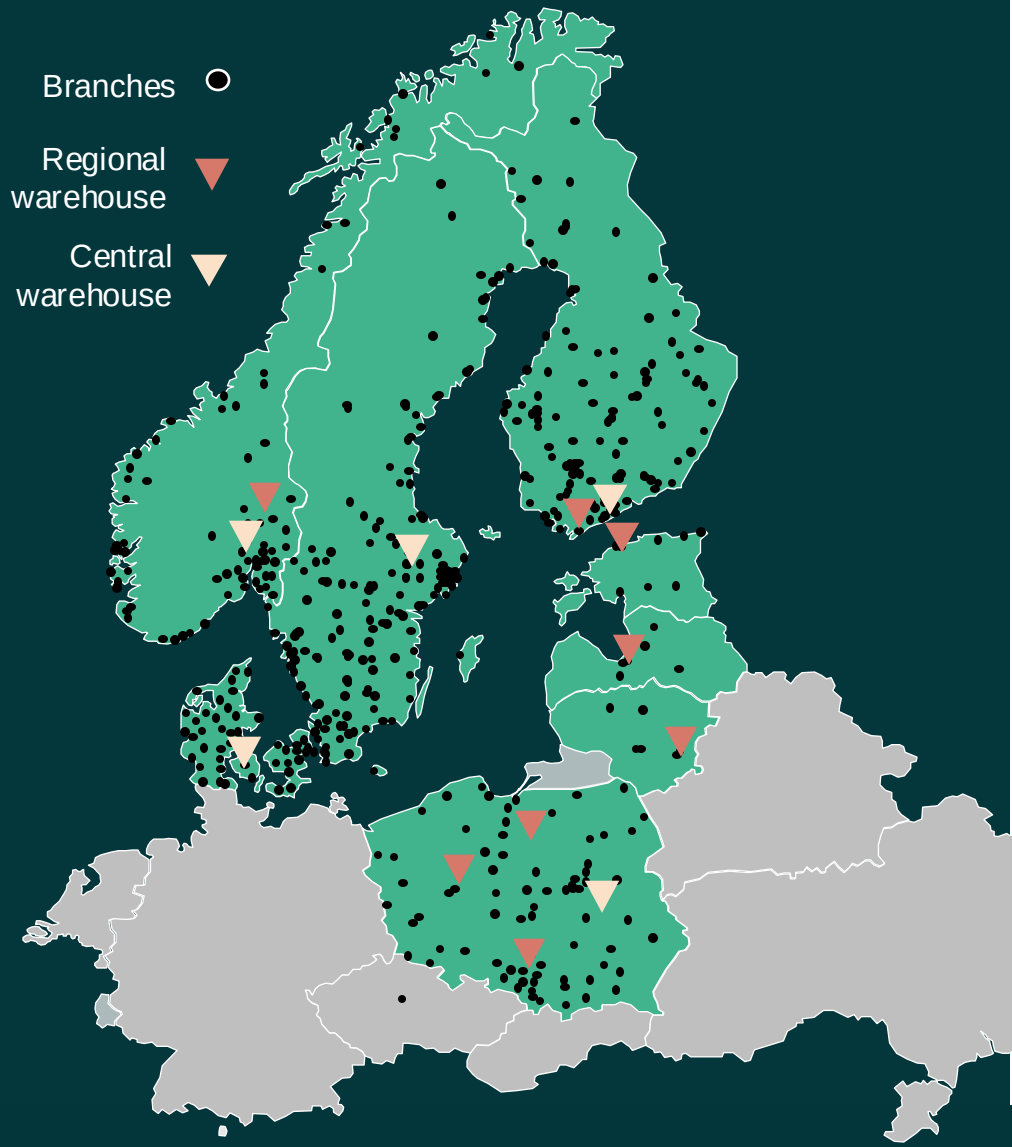
- **Our vision** is to enable mobility – today, tomorrow and in the future.
- **Our aim** is to be the best and most complete partner for all who drive, repair and maintain cars.

MEKO

Market leader in Northern Europe

- Dominant in spare parts and car service
- Outstanding availability and presence
- Strong brands and concepts attracting a broad range of customer groups

Examples:



MEKO

Our main revenue comes from business-to-business

MEKO

60% Workshop companies:

50% - 15 700 no. Independent workshops

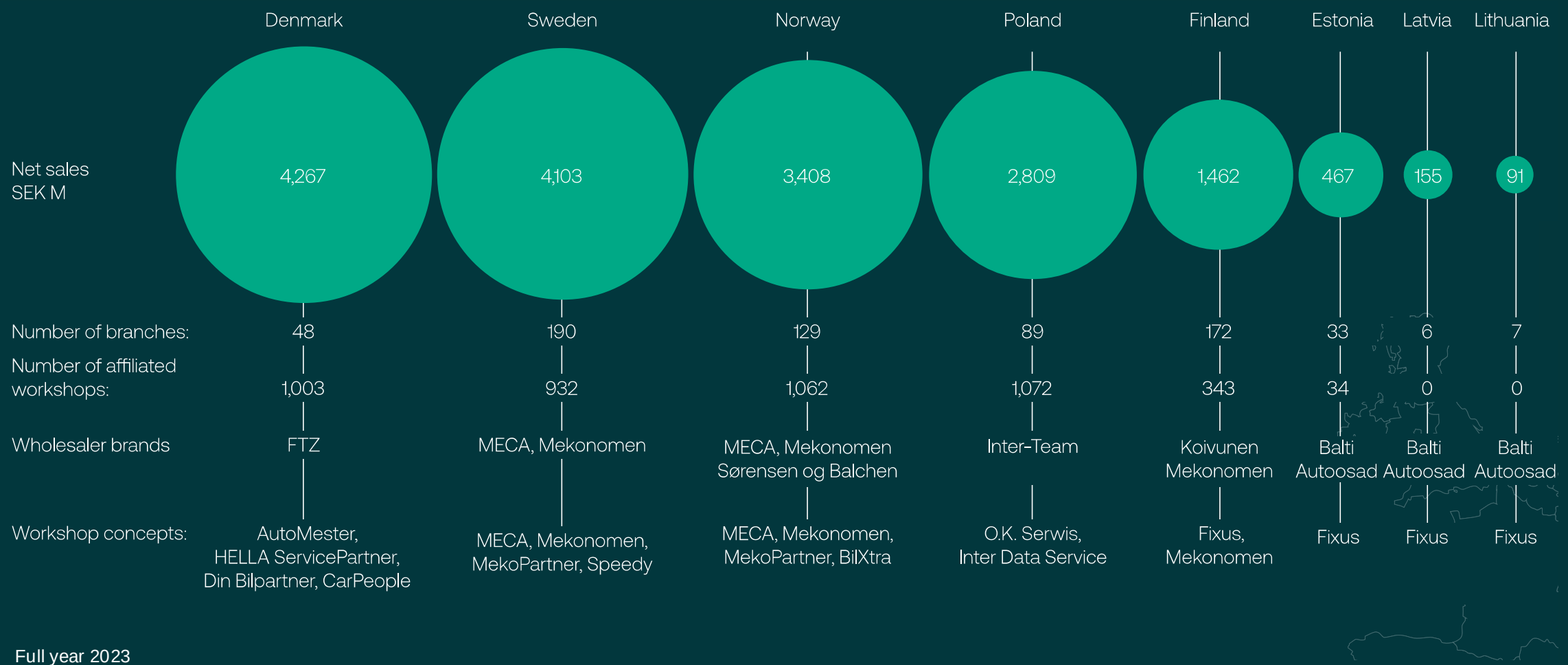
50% - 4 500 no. Affiliated workshops with MEKO's concepts, like:

CarPeople · BilXtra · AutoMester · MECA · Mekonomen · O.K. SERWIS

30% Other B2B-customers:
Authorities, wholesalers, etc.

10% Consumers

Our revenues are spread across several markets

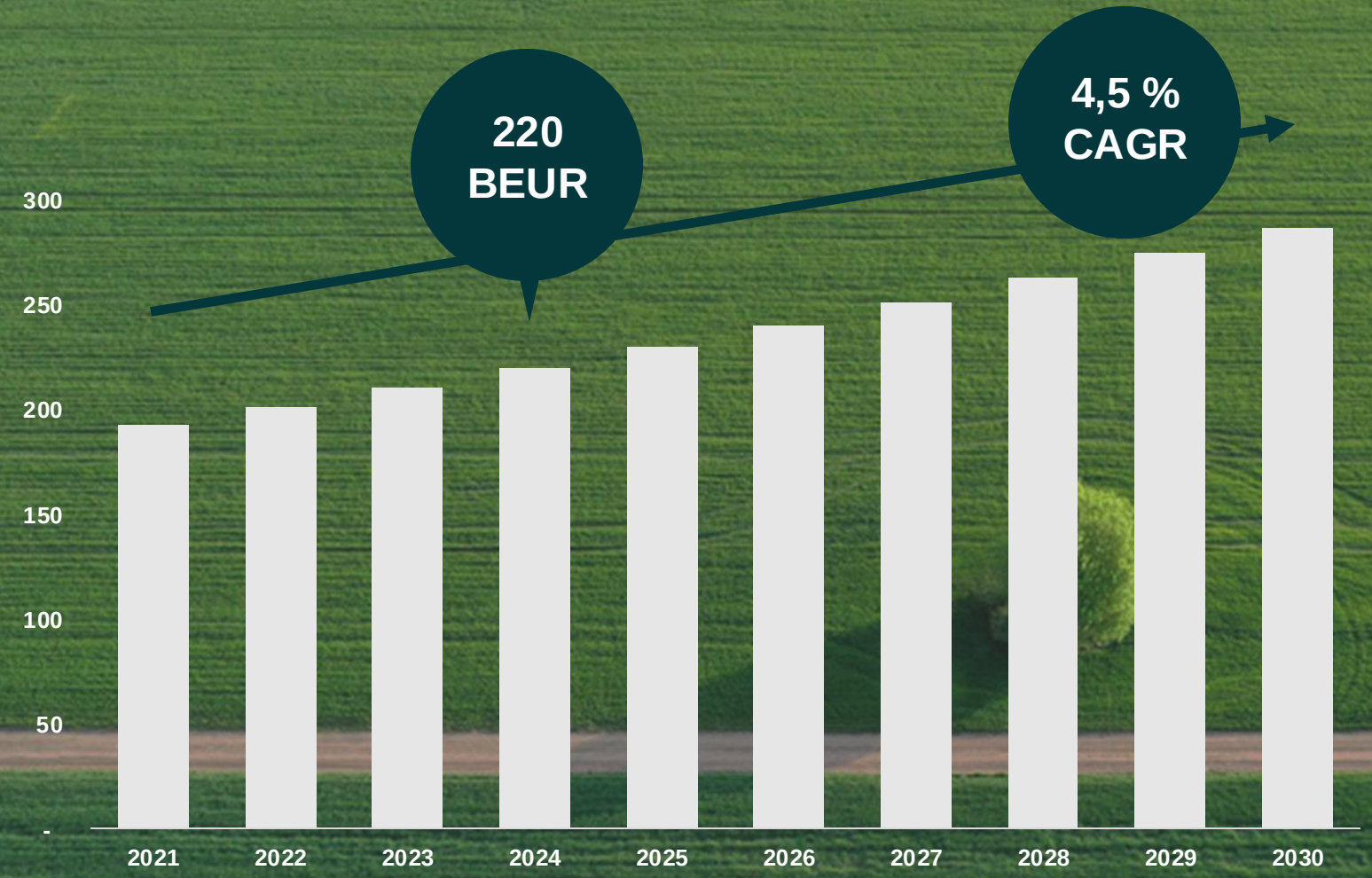


Full year 2023

Perspective on the auto aftermarket

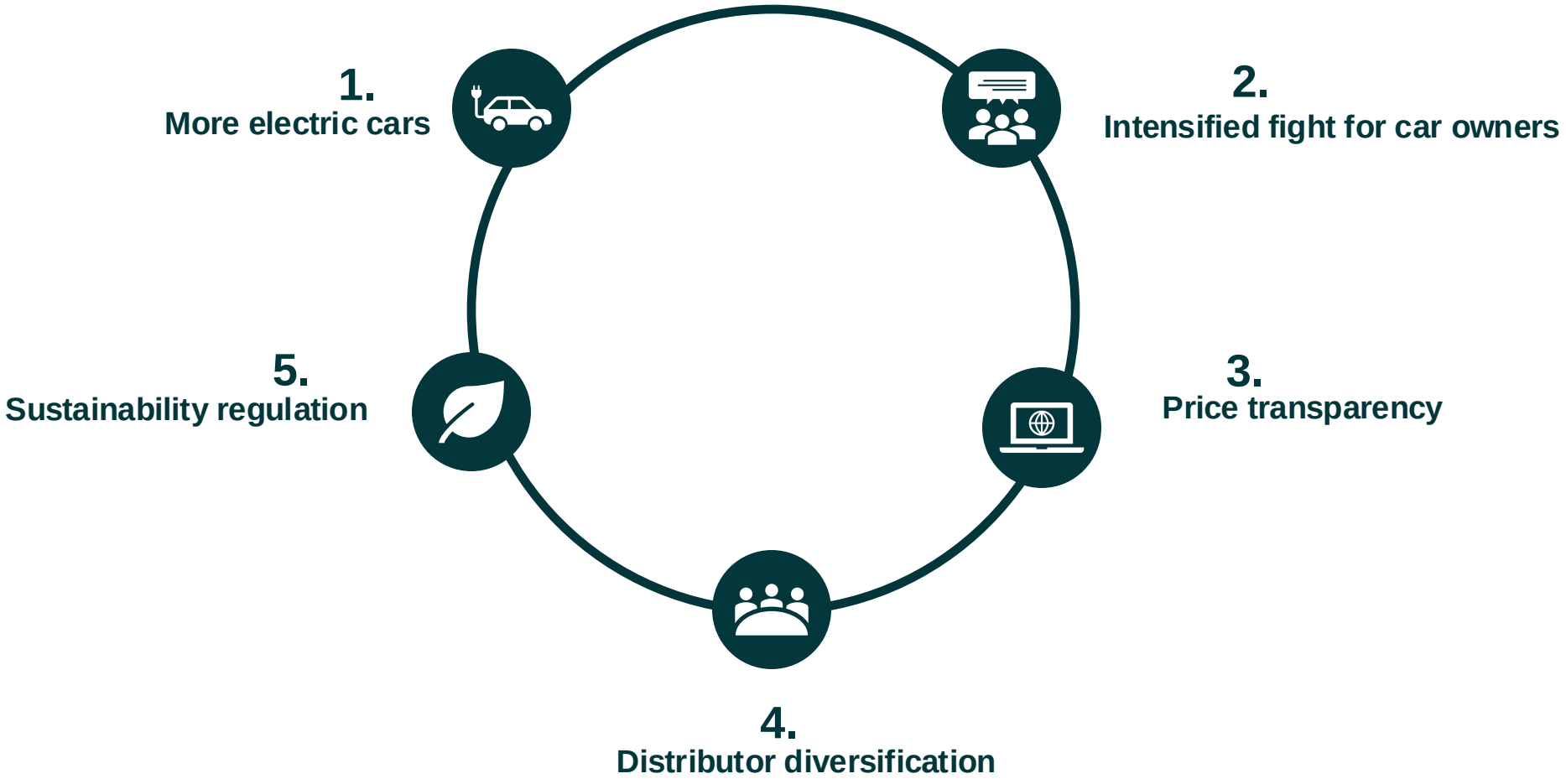
- Our industry is driven by a steady demand
- Timeless need for transportation – as for service and repair
- Misunderstandings about electric cars – not “the end” of our industry

The aftermarket in Europe is large and growing



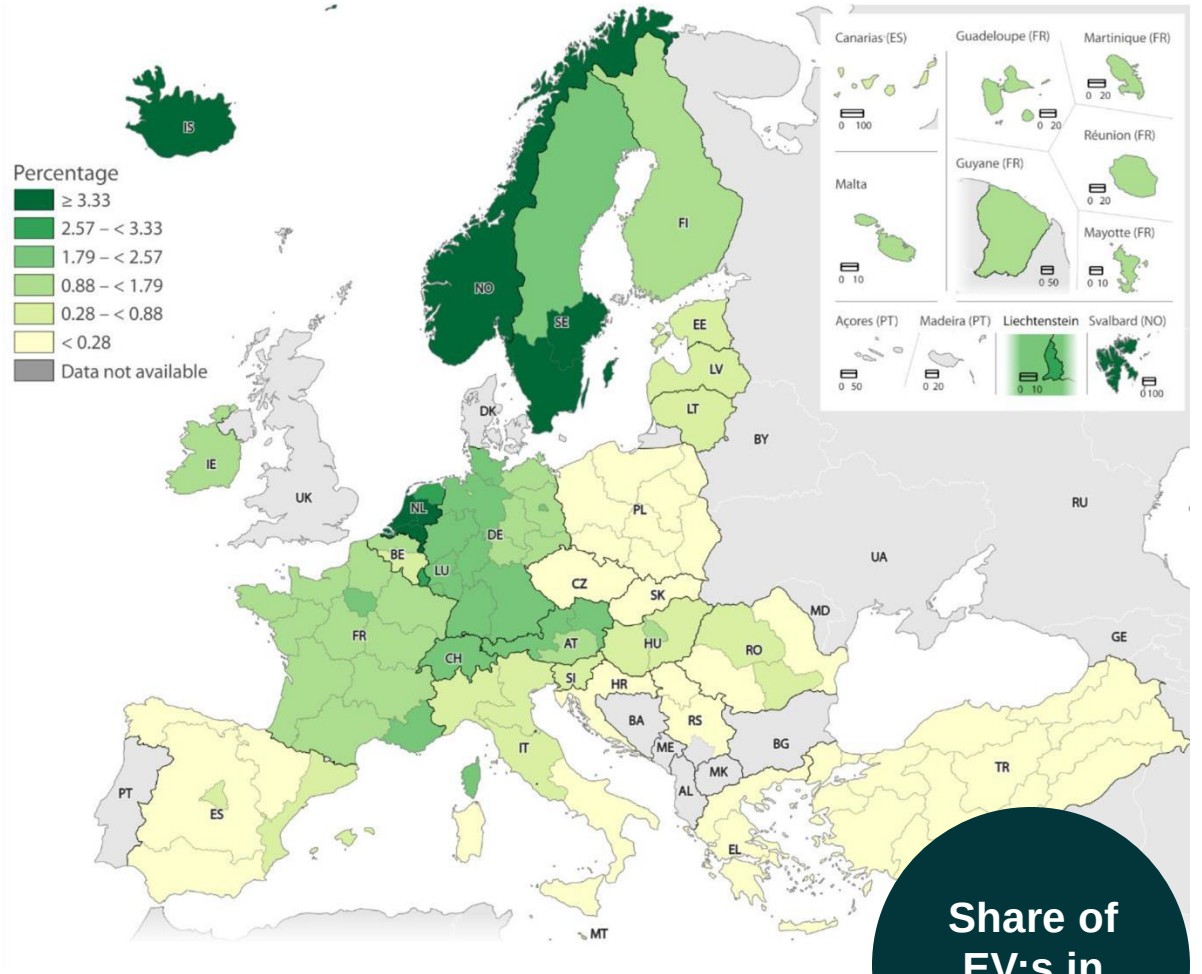
*Total market size valued as average of three market data sources (Presedence Research, Market Data Forecast, Graphical Research).

Several drivers for change – EV transition one of them



1. The electric car transition: Still early days in Europe

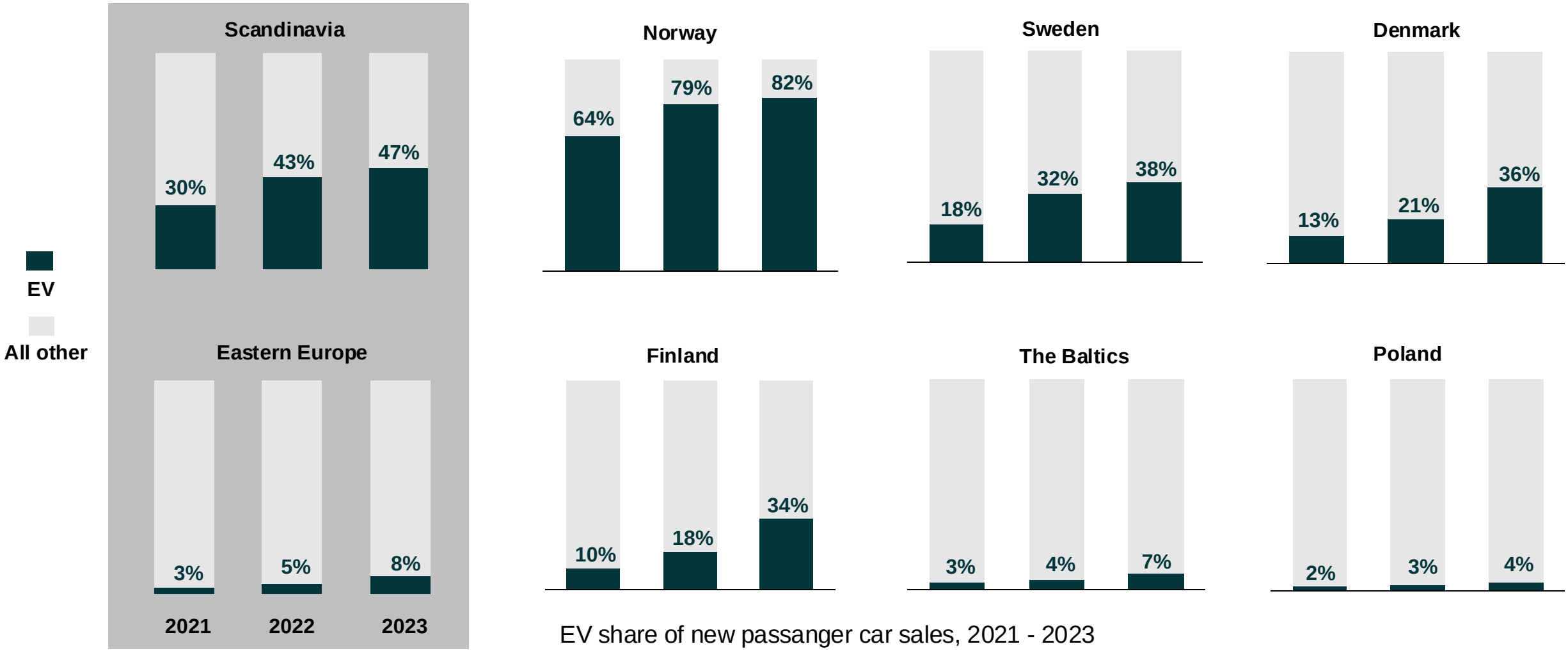
- All countries have low EV shares
- Very early in the transition:
  - Spain, Poland, Italy
- In the lead:
  - Norway, Sweden and the Netherlands
- Lack of data in several countries



Share of EV:s in Europe

Passenger cars. Latest public figures from Eurostat (2022)

Nordics: Highest EV share of new sales in Norway



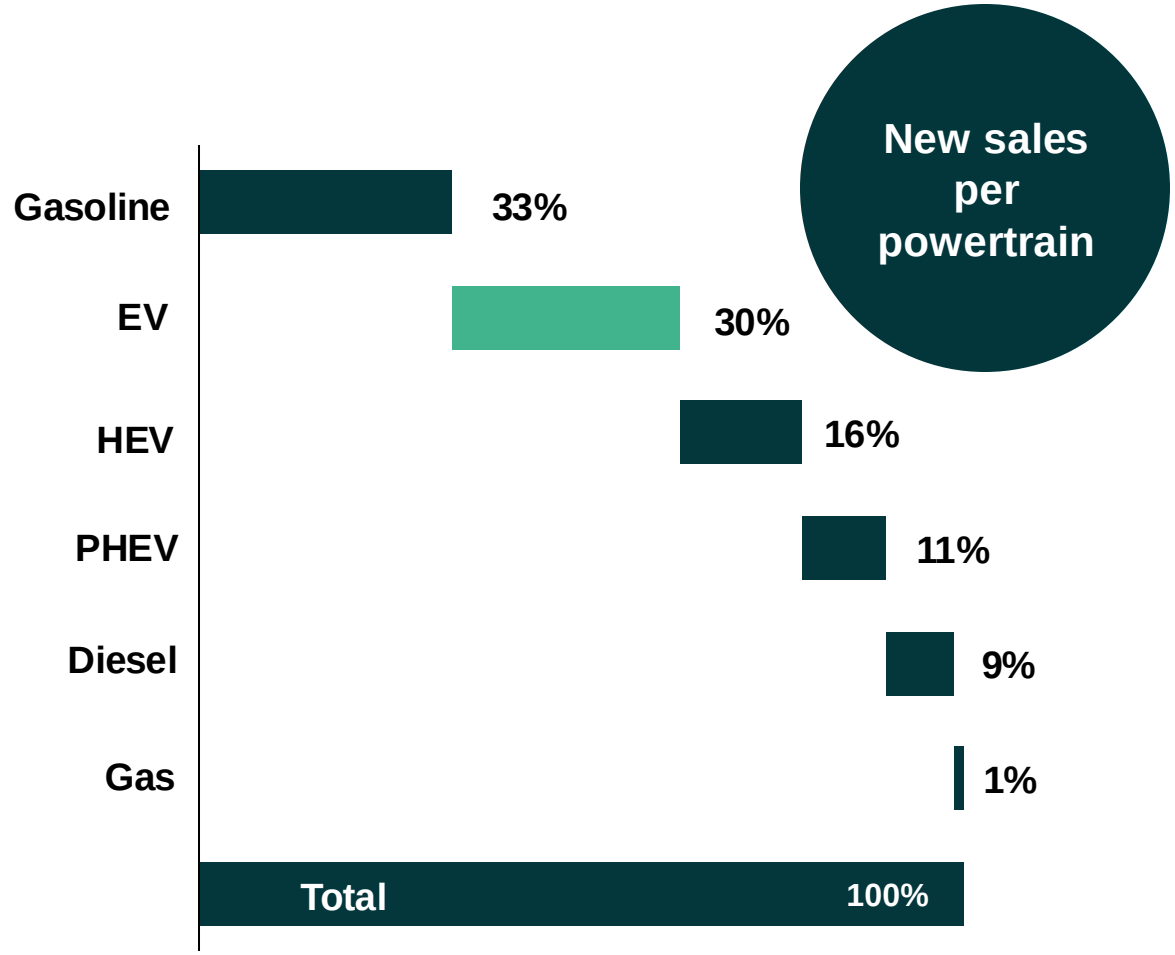
EV share of new passanger car sales, 2021 - 2023

Source: European Comission, Statistikmyndigheten, Statbank, Stat, OFV, MEKO analysis
1. Estonia is not included in The Baltics as the figures isn't available
2. HEV & Gas data is not available in the Baltics

MEKO

Gasoline still most popular – but EV:s number two

- Every third new car is a gasoline car
- EV:s almost as popular
- Relatively small share of hybrids
- Small share of diesel - and gas cars



2023, MEKO markets excl Poland[2]

Source: European Comission, Statistikmyndigheten, Statbank, Stat, OFV, MEKO analysis
1. Estonia isn't included in The Baltics as the figures isn't available
2. HEV & Gas data isn't available in the Baltics

EV:s brings development needs and new revenues

Operations

New partnerships

- Suppliers have neglected EV parts
- New partnerships push the aftermarket

New suppliers

- Non-traditional players enter the market

More products

- Recycling
- More car producers
- Growth in products

New business

Workshops

Education

- Enable safe handling of high voltage vehicles

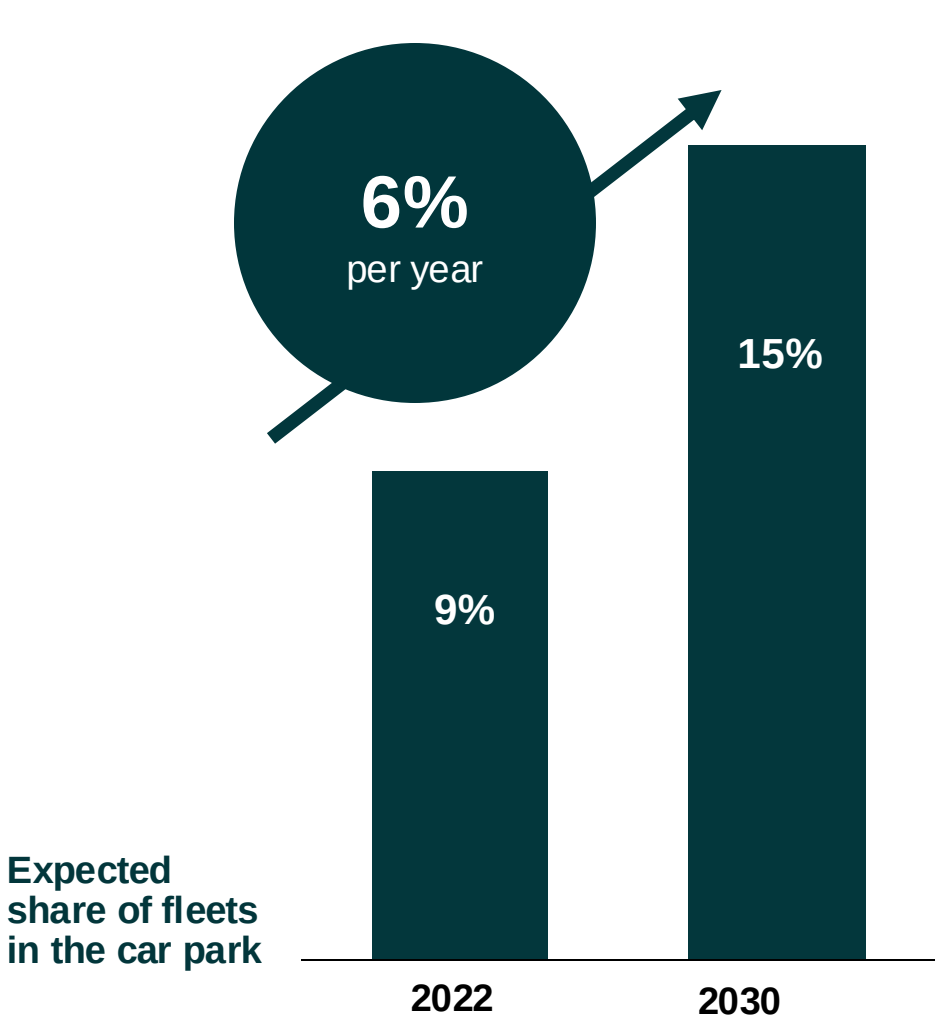
Offers

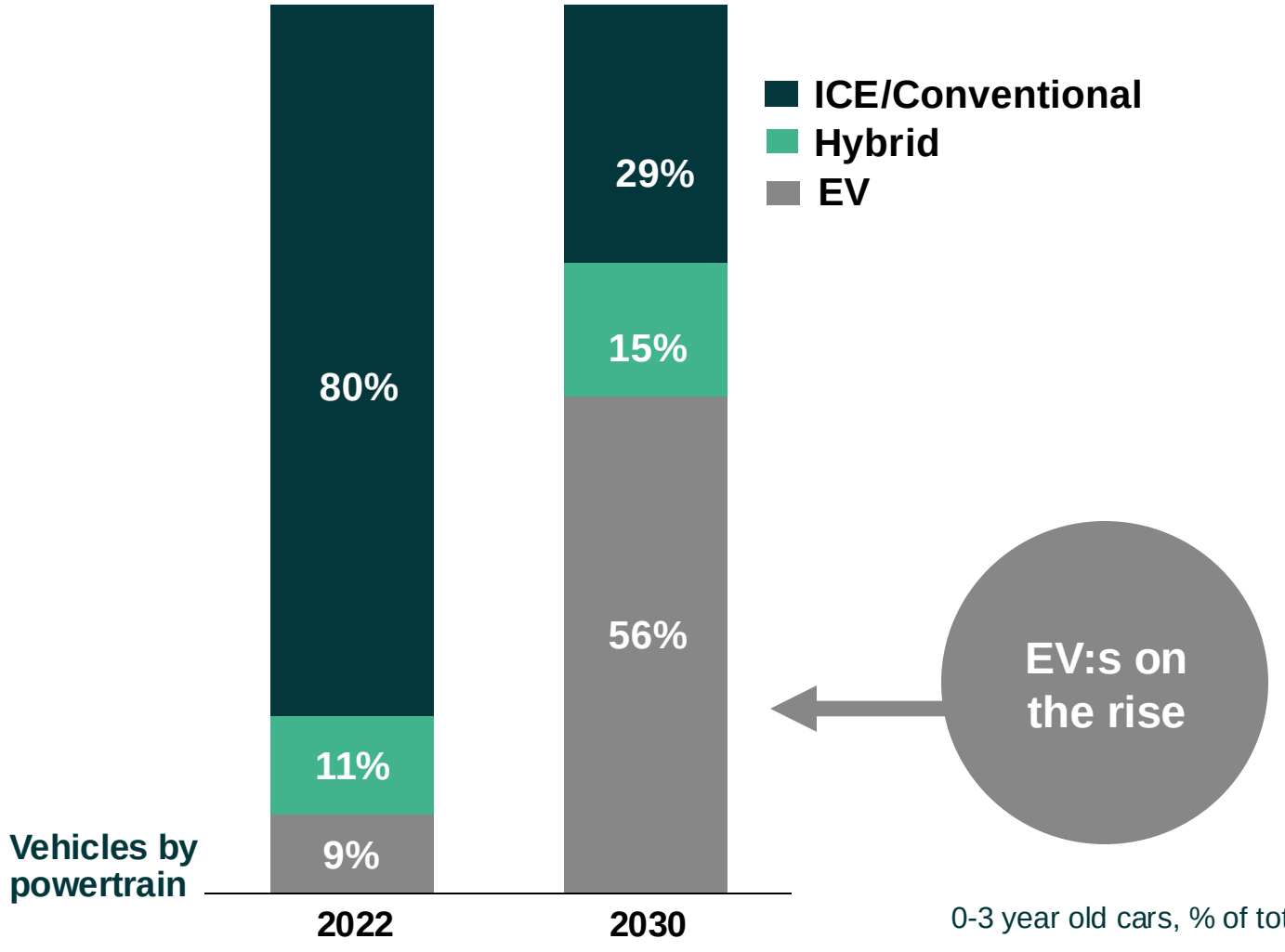
- Capabilities and battery warranties
- Need of tailored EV offers

Equipment

- Diagnostic tools
- More car producers challenges diagnostic producers

2. Fight for car owners – increasing fleet share





0-3 year old cars, % of total

Source: McKinsey Aftermarket Model 2023, BCG Aftermarket 2030

The leasing market will drive new business

- A few large leasing-players in Europe today
- Top seven leasing companies account for **30 percent** of all new sales
- Top seven expected to account for over **70 percent** of all new car sales 2030
- The development is expected to provide high volume business for the aftermarket

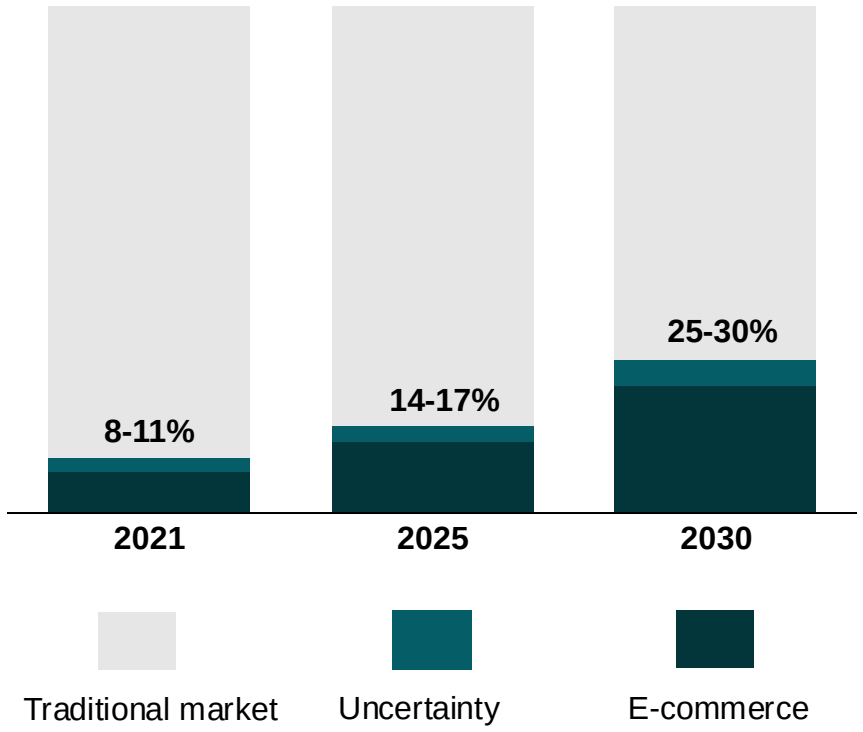
7 largest players

VOLKSWAGEN FINANCIAL SERVICES
MOBILIZE FINANCIAL SERVICES
ARVAL BNP PARIBAS GROUP
ALPHABET
ALD Automotive
LeasePlan
ATHLON
LEASYS

Source: McKinsey Aftermarket Model 2023, BCG Aftermarket 2030

3. Sales are moving online – with new price strategies

Share of e-commerce, European aftermarket



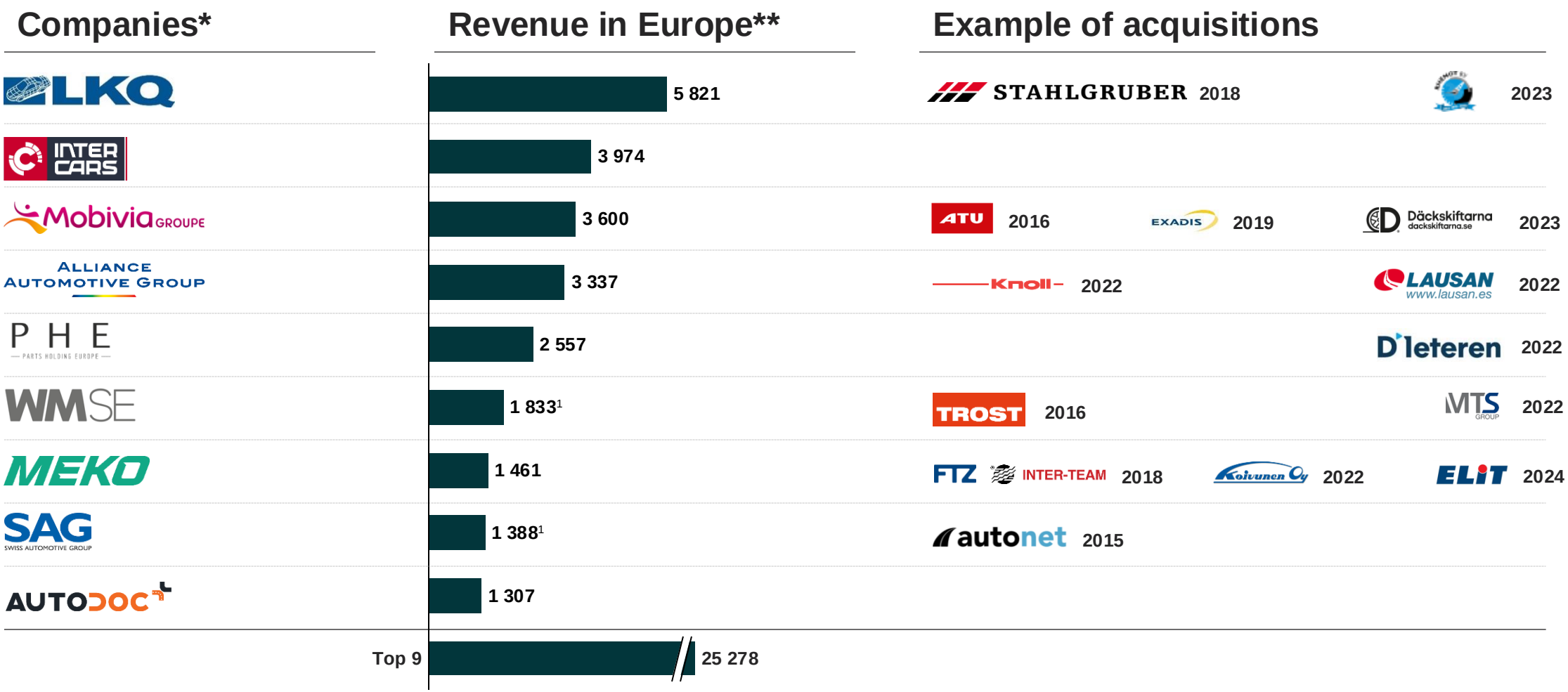
Business model example

- **Spare part**: Competitive price
- **Shipping**: + 6,95 EUR < 120 EUR, 0 EUR above
- **Remote locations**: + 7,95 EUR domestic remote, + 6,47 - 30 EUR international
- **Bulky items**: + 25 - 100 EUR depending on category
- **Return rights**: 0 EUR 14 days, + 2,99 EUR 200 days

Total: Up to + 56,5 EUR per order

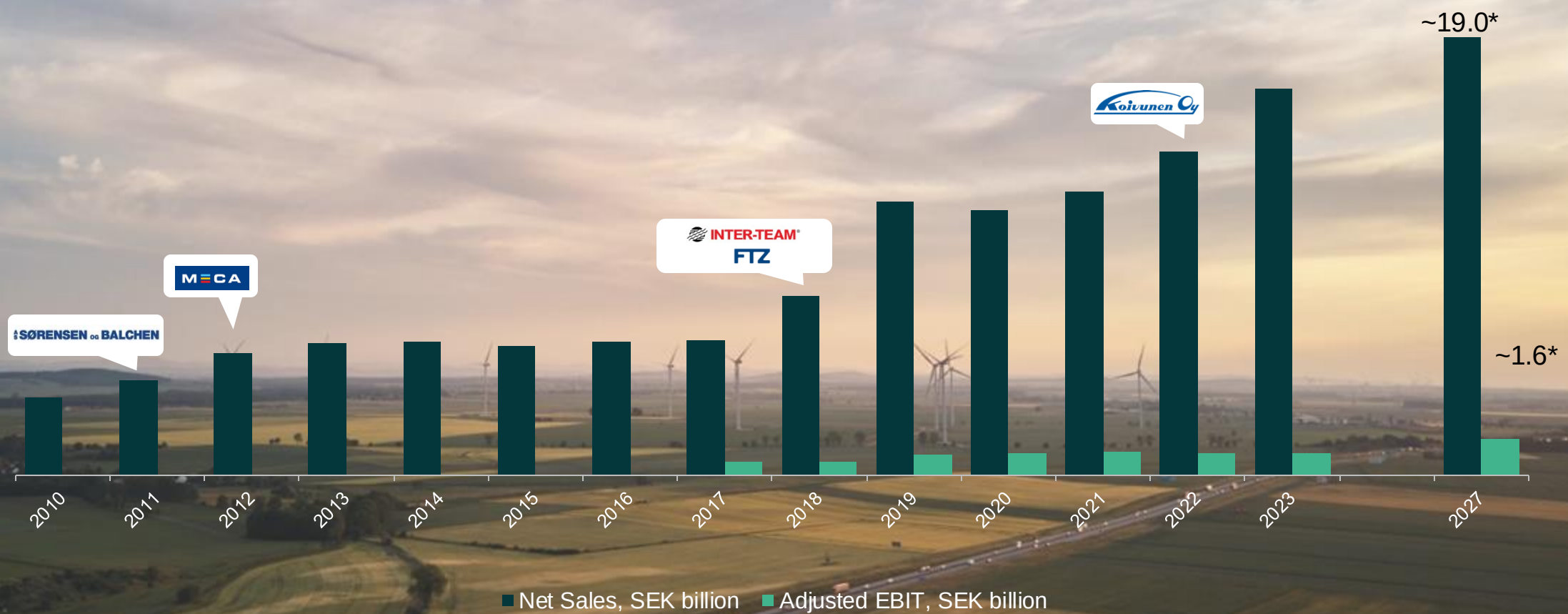
Source: McKinsey – *Ready for inspection: the automotive aftermarket in 2030,* BCG - *At the Crossroads: The European Aftermarket in 2030,* Wolk & MEKO analysis, company websites

4. Distributor diversification – and expansion to new areas



*More than 1 billion euro in revenues, 2023
**Million euro, 2023

Growing by carefully selected acquisitions



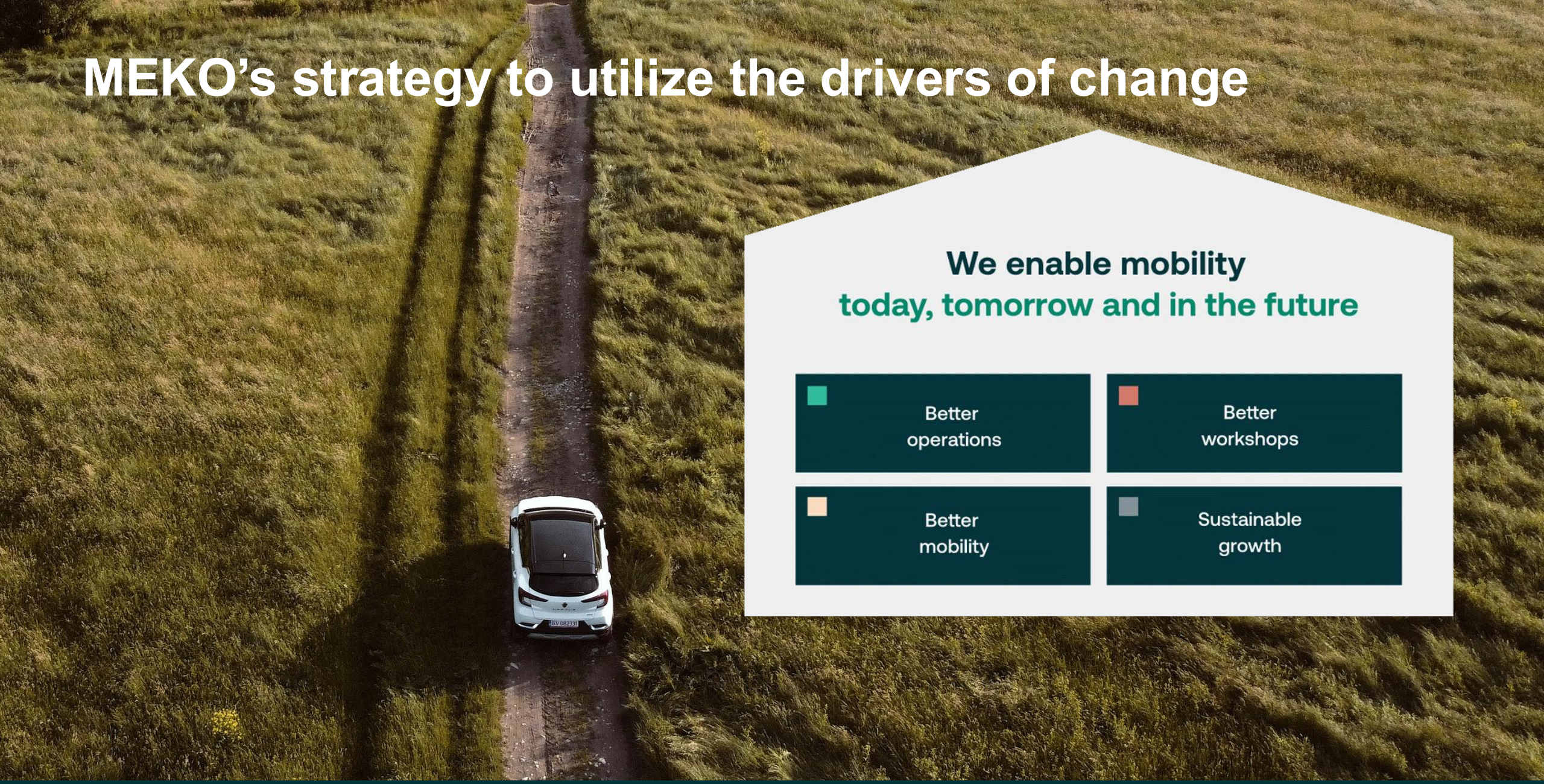
*Company Forecast at CMD, January 2022

5. New sustainability expectations and regulations

Examples:

- EU taxonomy
- End-of-life vehicle Directive
- Green claims Directive
- Corporate Sustainability Reporting Directive (CSRD)
- EU’s Green Deal
- EU ban on combustion engines
- Etc.

MEKO’s strategy to utilize the drivers of change



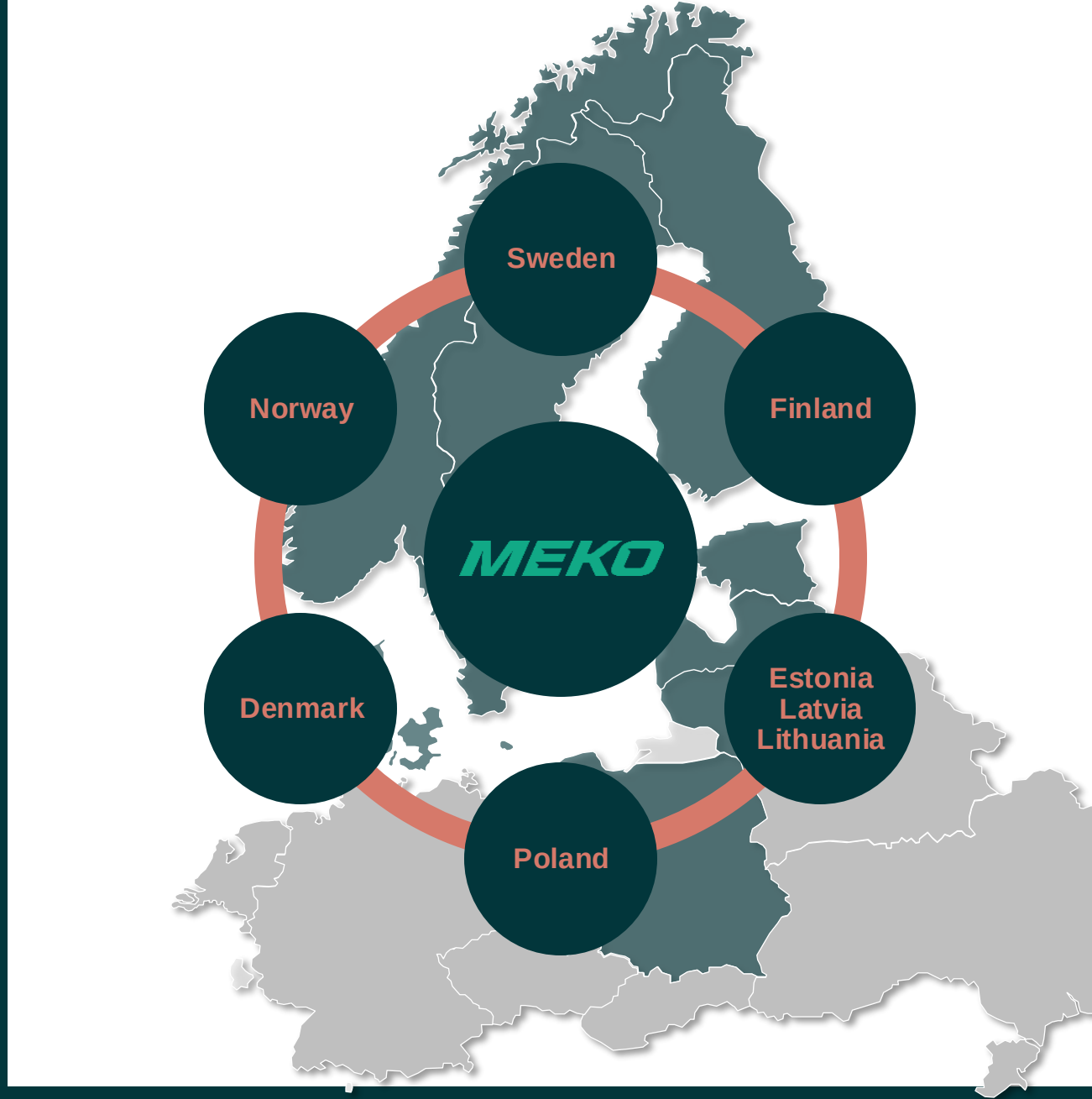
We enable mobility
today, tomorrow and in the future

- Better operations
- Better workshops
- Better mobility
- Sustainable growth

Better operations, example

Building a stronger MEKO

- Cost reduction and efficiency
  - Streamlining operations and optimizing network
- Supplier optimization
  - Stronger partnerships with preferred suppliers
  - Higher share of exclusive brands products
- New business system
  - Increased efficiency and wider assortment
  - Revenue synergies



MEKO

High-tech logistic solutions

- Consolidating logistics activities in Norway to one common facility
- Will lower costs and increase efficiency
- Improved service level, better availability and shorter delivery times
- New automated warehouses also in Denmark and Finland

Building a stronger MEKO: Focus on Norway

- Optimizing operations in MECA and Mekonomen in Norway
  - Adjusting number of branches and stores
  - Strengthening customer service with better availability
  - Reducing emissions from transports
  - Improving profitability

Better workshops, example

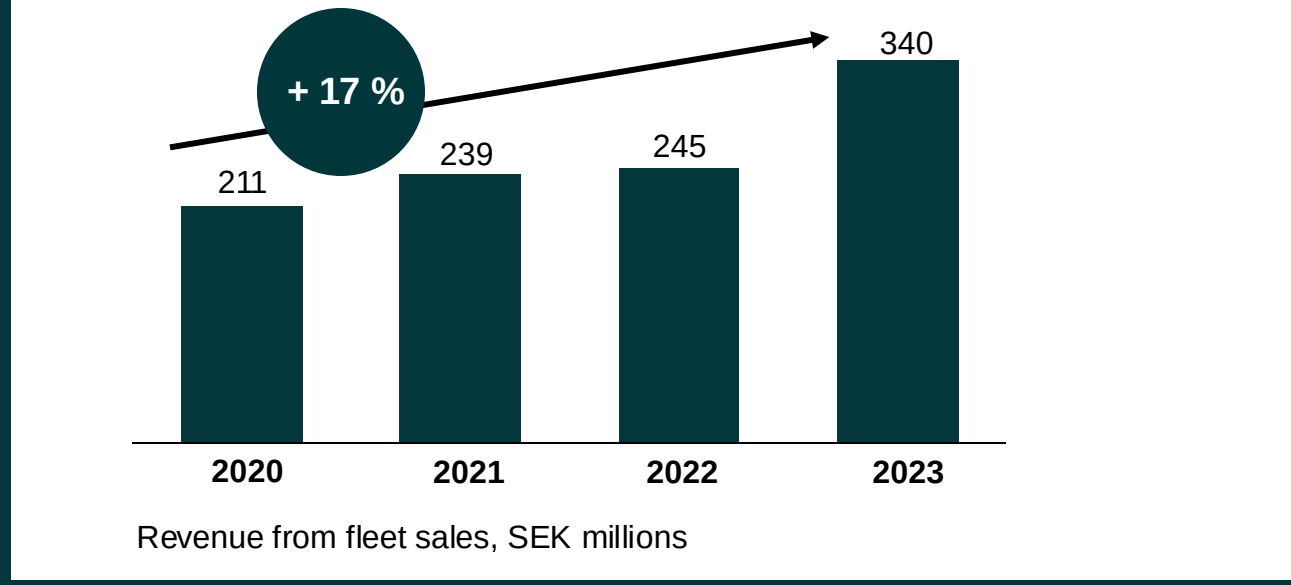
Supporting workshops improve profitability

- Developing automated order bookings of spare parts for workshop customers
- Best-in-class concepts to attract more customers to workshops
- Enabling convenient customer journeys through leading digital booking system
- Etc.

Better mobility, example

Expanding fleet business

- Strong growh in fleet customers – significant market potential
- MEKO an ultimate partner:
  - Large geographical network
  - One point of contact
  - One administration
  - Full service and repair
  - All brands – no restrictions



Revenue from fleet sales, SEK millions

Heavy Vehicles, Tires and Glass

- Successful launces in new adjacent verticals like Tires, Glass and Heavy Vehicles
- Example:
  - Heavy Vehicle concept first launched in Sweden and Norway
  - Integrated with a similar business in Finland in 2022
  - Accelerated expansion when the concept now is launched in Denmark

First in identifying new mobility trends

- **The Mobility Barometer** is a unique report in the Nordics
- Explores mobility habits and trends among the public
- The most extensive study of its kind - over 4000 respondents
- Insights into opinions on sustainability, electrification and new behaviour

New edition of the Mobility Barometer in September!

MEKO an ultimate partner for electric car manufacturers

- Our network and competence attractive for new EV brands entering Europe

- Strategic partnerships with:
  - ZEEKR
  - VOYAH

Summary

- Significant size of the aftermarket in Europe
- Several main drivers of change in the industry
- Bump in the road for EVs– but the transition is on its way
- The transition offers development needs and new business
- Electrification offers same – or better - business opportunities


Q&A

LESSONS FROM NORWAY

Geir Hoff
CEO, Mekonomen Company Norway


MEKO
Mekonomen Company
Workshop concepts
Services
Product & logistics
Mekonomen
MECA
ProMeister
BCP
BILEKO CAR PARTS
PREQAS

Mekonomen Company

Revenues 2023, MNOK: **2514***

#Concept workshops: **800***

#Employees: **912***

MEKO

Our role in the market

- Wholesale of spare parts and accessories

  Available – efficient – sustainable

- Workshop concepts – franchise
- Workshop concepts – own operated

- Workshop equipment and diagnostics
- Tires, paint, consumables and heavy vehicles
- Academy, competence, support and business system

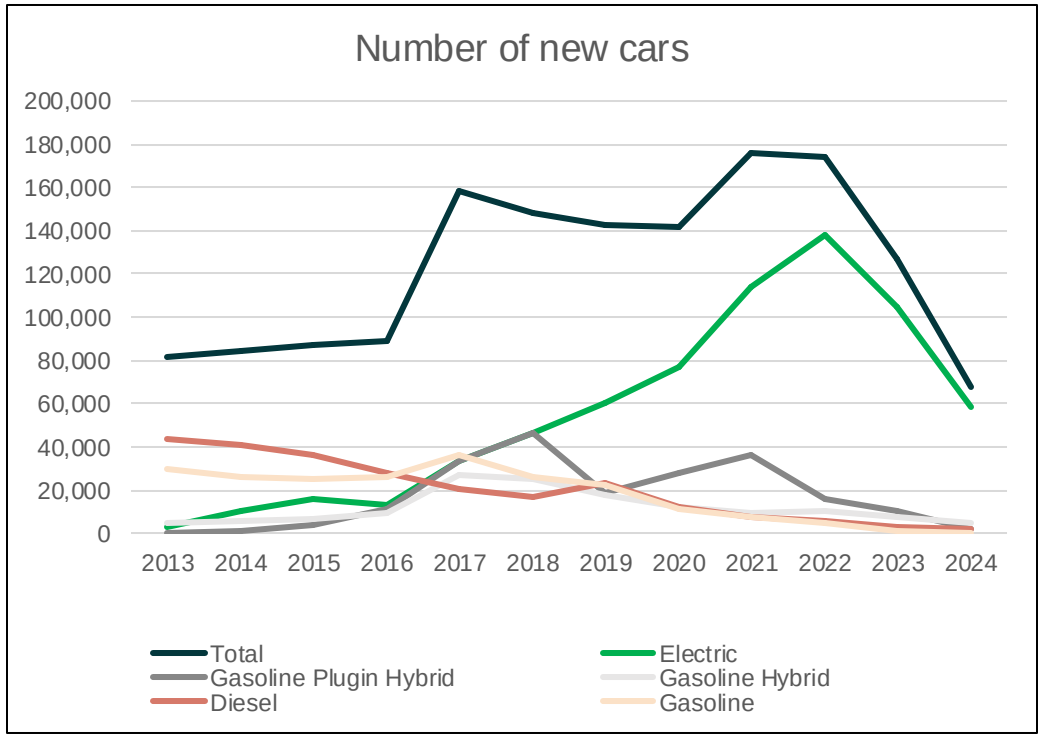
- Enduser focus – digital booking and fleet platform

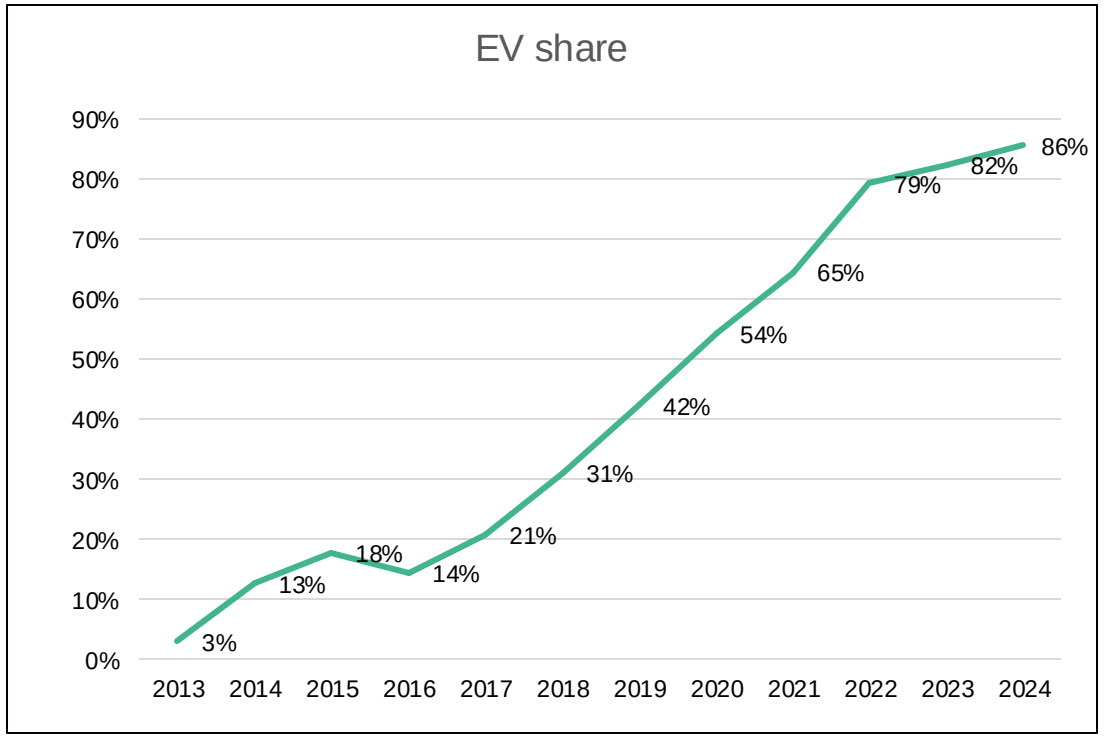
EVs in Norway and Norway with EVs

- Locally big – but globally small
- Immature – but maturing
- Building knowledge – but still many questions
- Testbench for agile car development - the quest for reparability

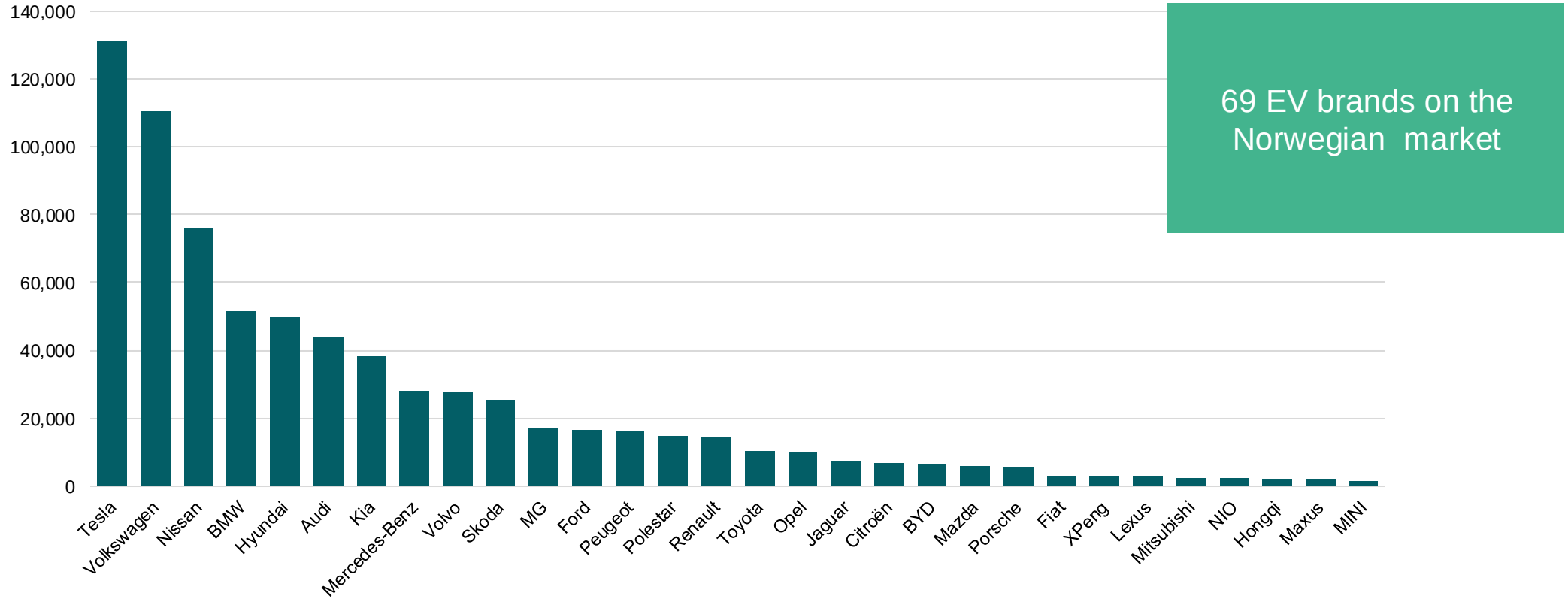
MEKO

Fewer cars sold in 2023 and 2024 – 86 percent of new cars are electric





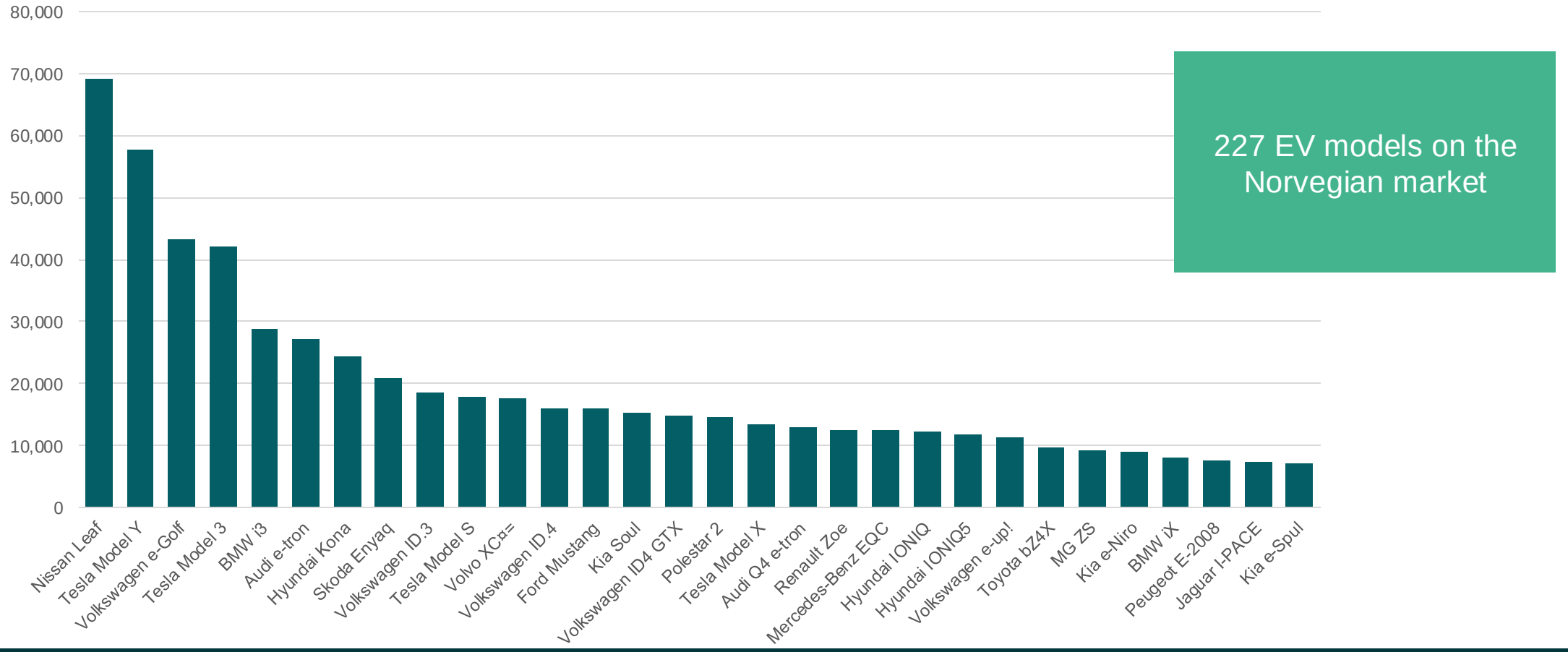
Tesla and Volkswagen are the top selling car brands



69 EV brands on the Norwegian market

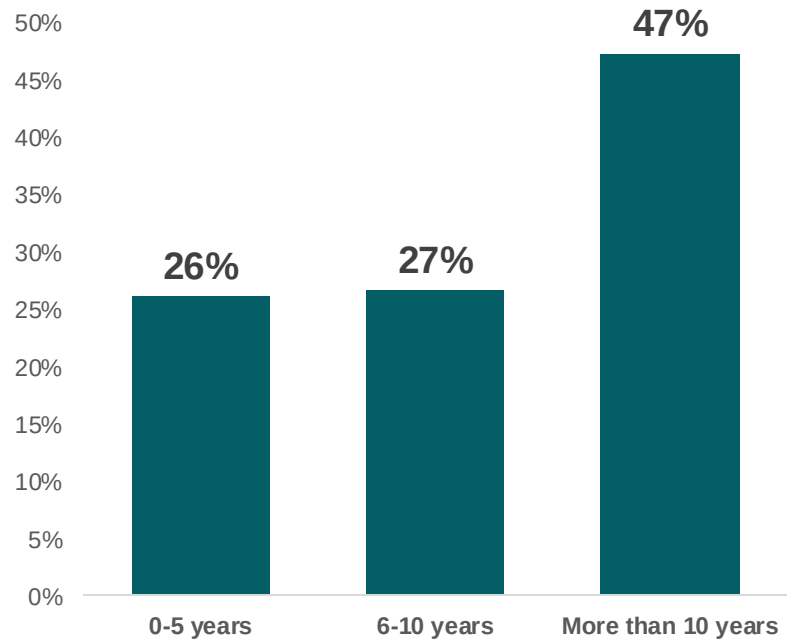
MEKO

Nissan Leaf and Tesla Model Y best selling car models



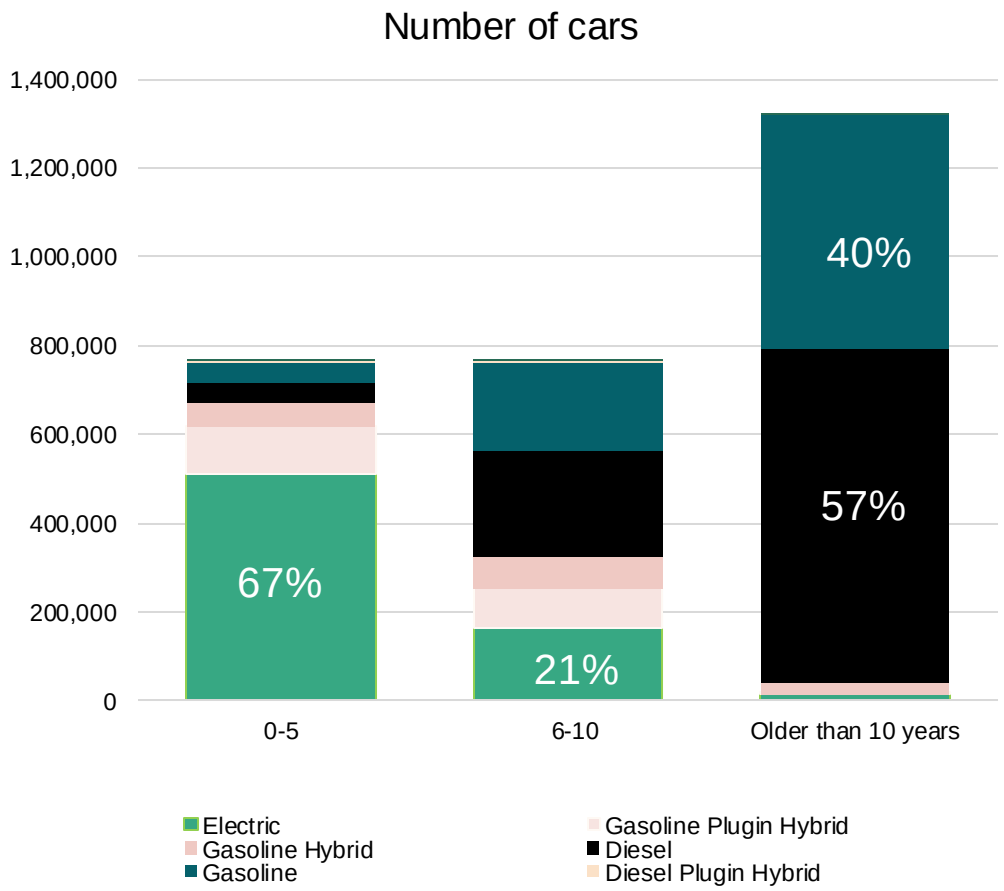
227 EV models on the Norvegian market

74 percent of the car fleet is older than 5 years



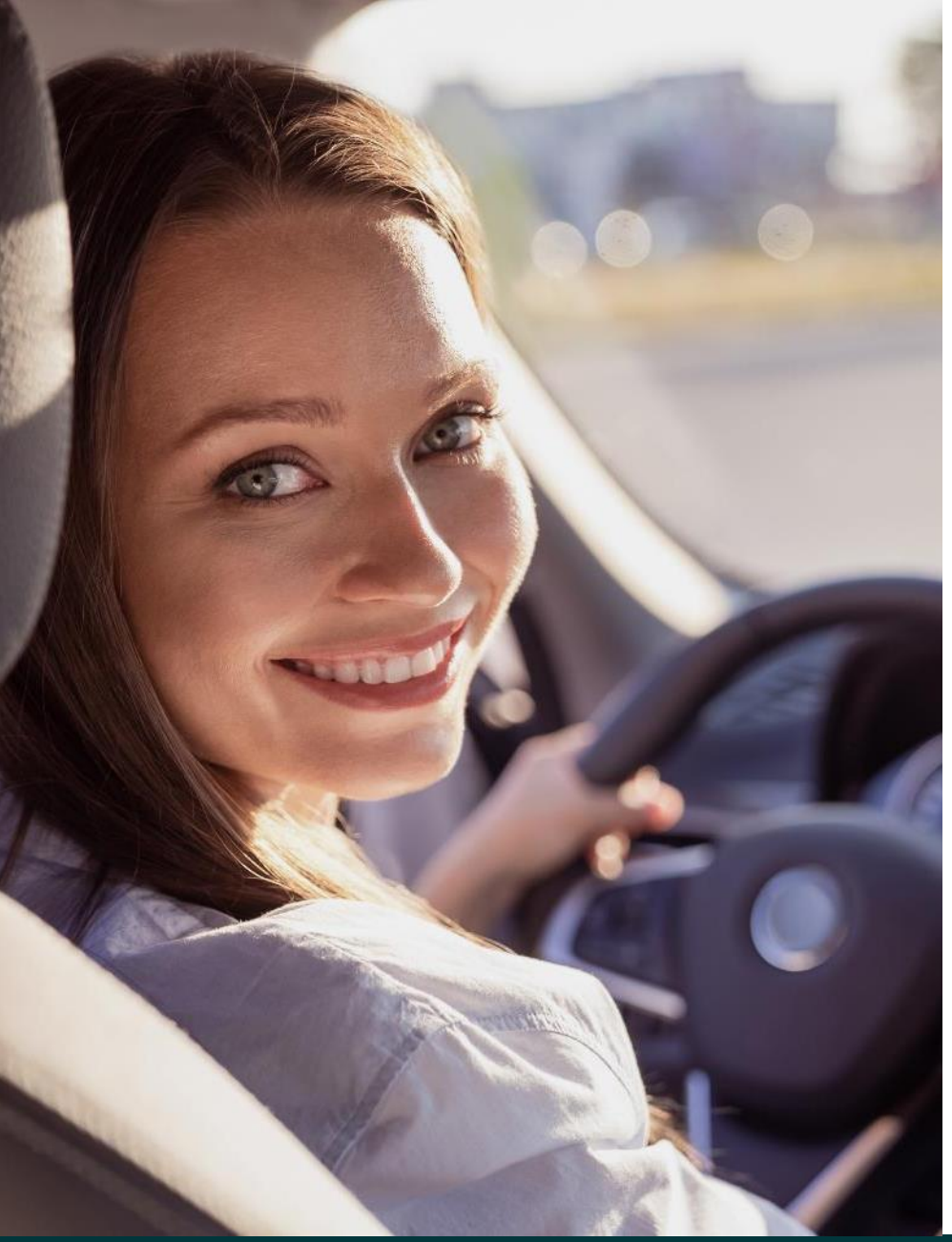
Norwegian cars as of June 2024: 2,8 million cars

Majority of older cars are diesel/gasoline



How we meet the EV development

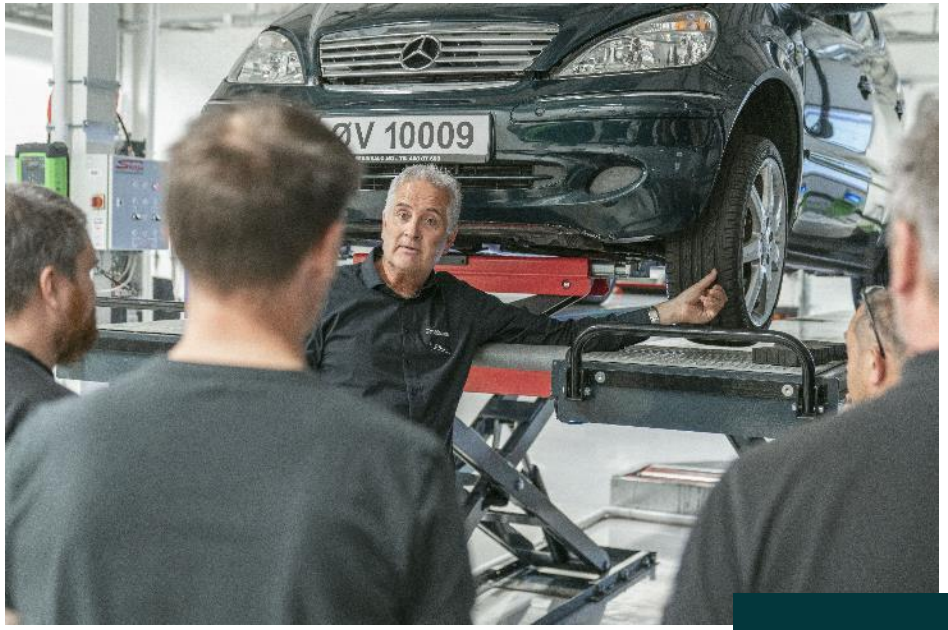
- Increasing range of EV spare parts
- Enhancing competence
- Adding product areas
- Ensuring digital customer journey
- The quest for reparability



Norway's best stock of spare parts for electrical vehicles

Continuously increasing the number of spare parts

At the forefront of enhancing competence



Academy and call center with high EV competence

Added product areas

Tires

Paint

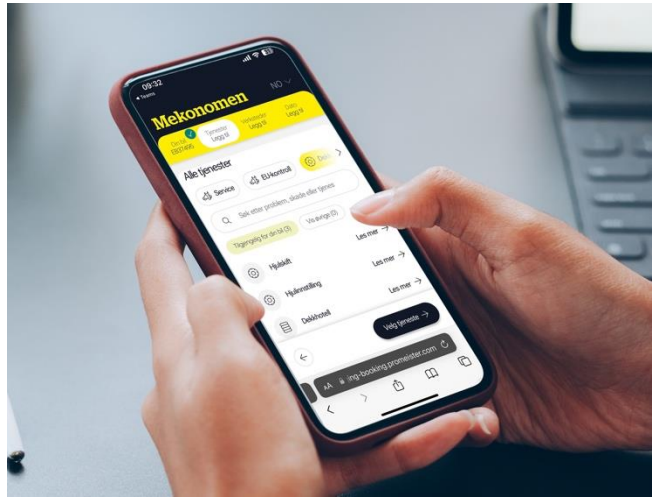
Coolants

- Total supplier of tires and rims
- The market's widest selection

- Total supplier to paint workshops
- Nationwide training - with online store

MEKO

Improving the digital customer journey



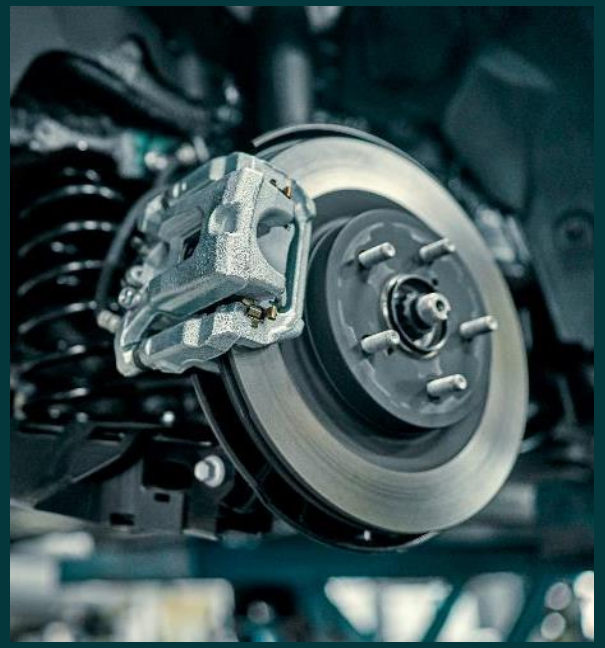
Online bookingportal

Fleet

BCP Pro

The quest for reparability

FIGIEFA
Automotive Aftermarket Distributors



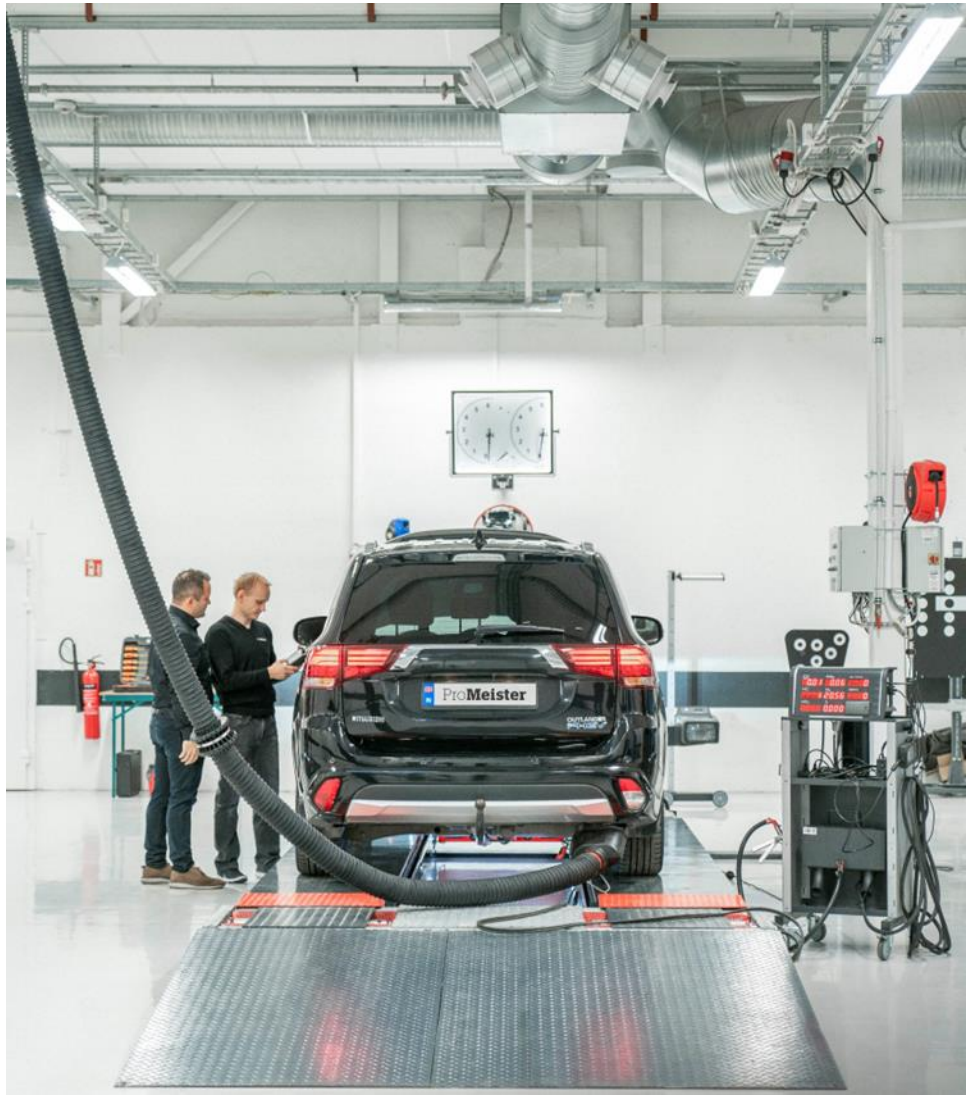
- Politics – right to repair
- Affordability
- Access to spareparts

ProMeister

28.08.2024

Promeister Academy

- 9 technical trainers
- 2 training centers
- More than 7000 training days a year
- Serve more than 1000 workshops
- Trained trainer for 7 brands



My EV Journey

1994: My first car

1999: My first family car

2015: My first Hybrid

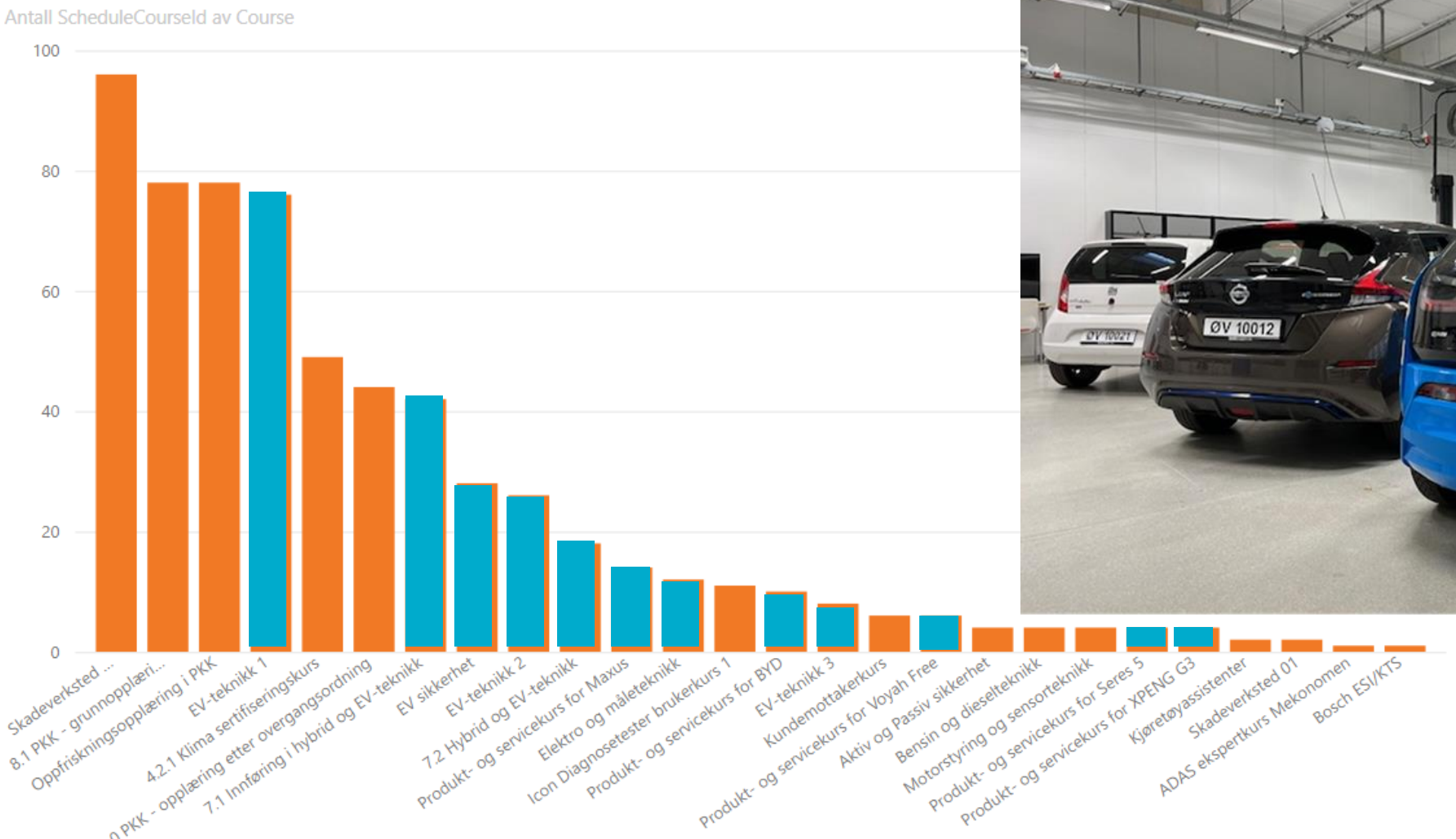
2018: First full electric car

2019: 2nd electric car. The familiy is electric

Most popular course

CourseStarts

01.01.2022 05.01.2024



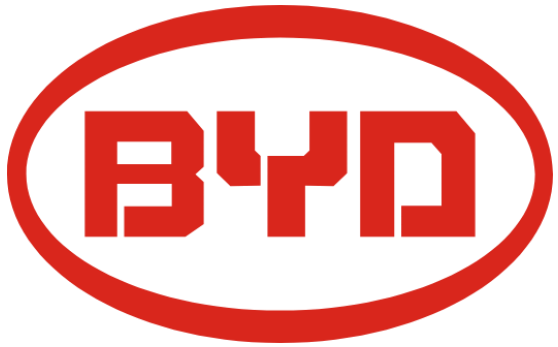
EV approved workshops

- EV training level 1: Safe work on EV
- EV training level 2: Diagnosis
- Tools and equipment made for high voltage
- Charging possibility

- GOAL: All workshops should be EV approved in 2025

- Resertification to maintain knowledge every 3 years.

EV Knowledge



RSA

- Agreement for Promeister as trained trainer for JAC, BYD, Maxus, Suzuki and KGM
- BYD sertification after 4-5 months of training
- Gives us all technical information
- We share information cross countries: Norway, Sweden and Poland?
- Calibration/ADAS for Chinese cars.

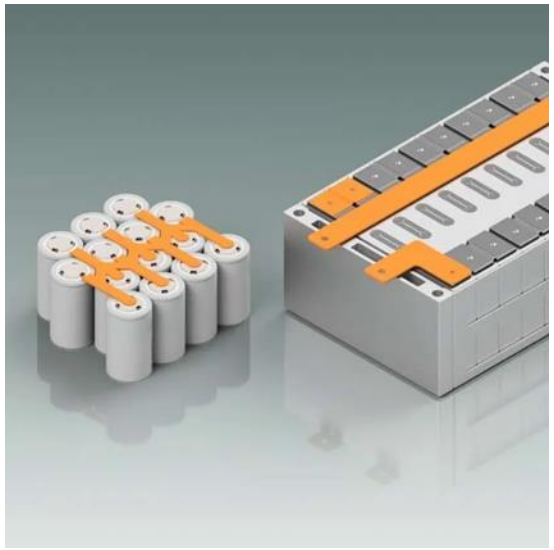
EV: Battery training

- Diagnosis
- Changing of battery cells
- Battery balancing
- Pressure testing

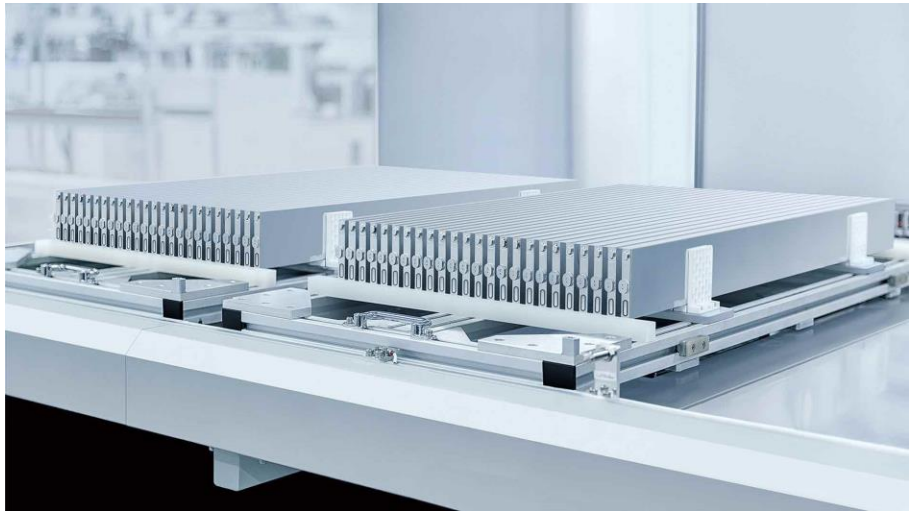
Everything goes electric

- Training for electrical driven vehicle in a smelter for steel industry
- Training for electrical snow machines
- Truck & bus

Challenges regarding free choice of workshop and EV repair



The battery cells for Tesla is possible to change. But they are connected with a bus bar and there is a the moment not any handheld tool that can weld the bus bar back to the battery after changing.



Blade battery technology

KGM Torres. First car with 1.000.000 km (10 years) warranty on Blade battery

Challenges regarding free choice of workshop and EV repair

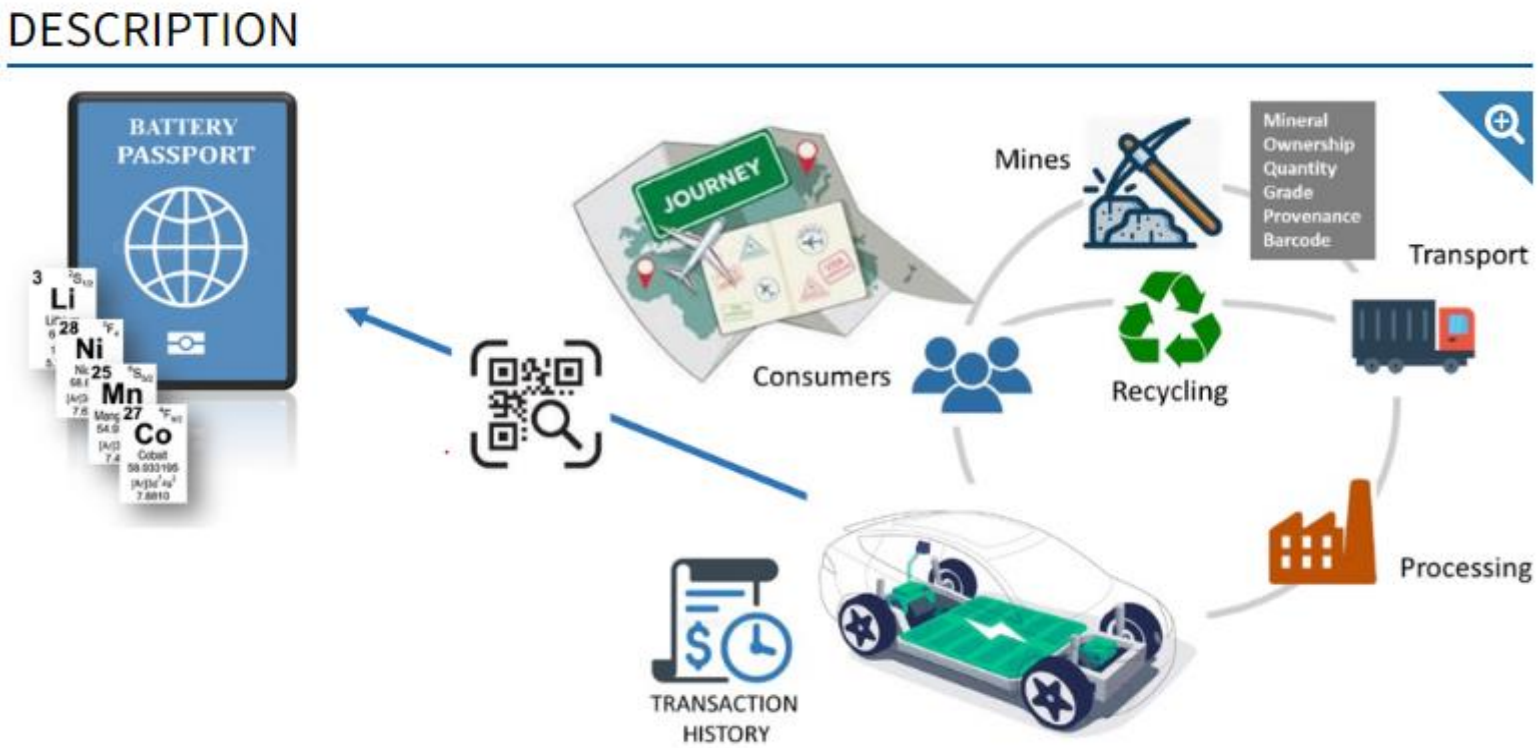
CATL battery

Other Highvoltage batteri producers as CATL have locked their software system for diagnose on severe battery testing. The do not allow other than CATL technicians to do this diagnosis. Workshop is just allowed to dismantle the battery and ship it to CATL.

BMW, Daimler AG, Hyundai, Honda, Li Auto, NIO, PSA, Tesla, Toyota, Volkswagen, Volvo and XPeng.

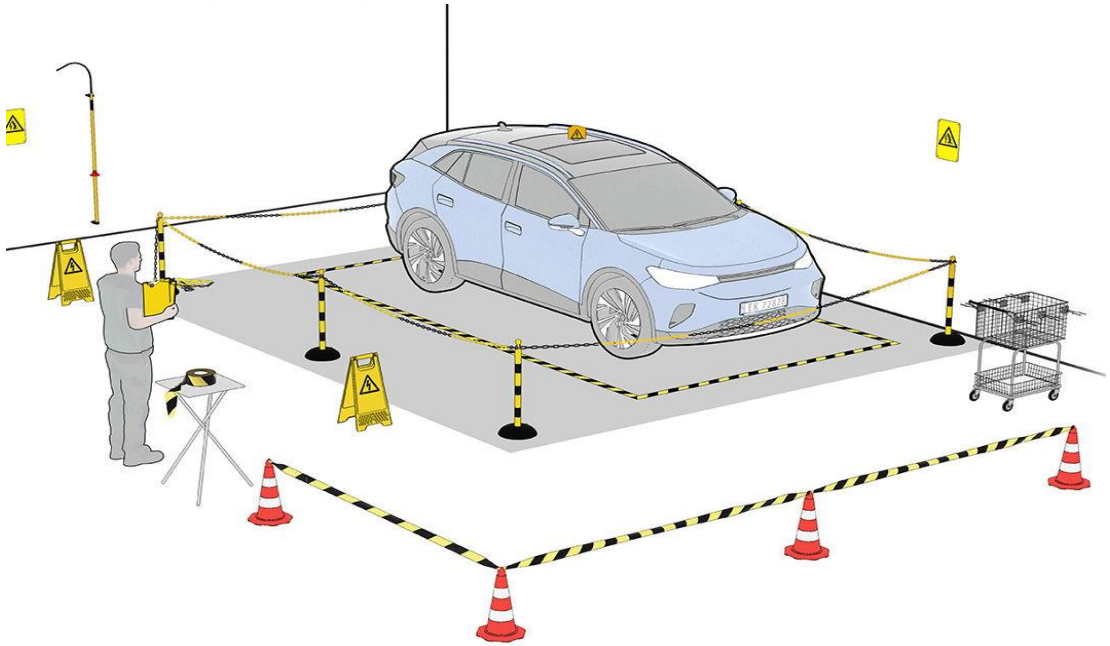
Battery passport

EU directive on batteries:
Starting in 2027, consumers will be able to remove and replace the portable batteries in their electronic products at any time of the life cycle.



Safety first

Orange is the new black



ProMeister MEKO

Safety first

Always use high voltage equipment

Have good ventilation

Know how to store batteries

Be aware of transportation hazards

You are not a firefighter

Working with electric cars

When handling an electric or hybrid vehicle on a lifting platform, it is important that we know what condition the car is in before we start.

If the car has damage underneath that could indicate that the battery pack is damaged, the necessary protective equipment MUST be used.

If overheating/activity in the battery is suspected, the car must be quarantined in an open area.

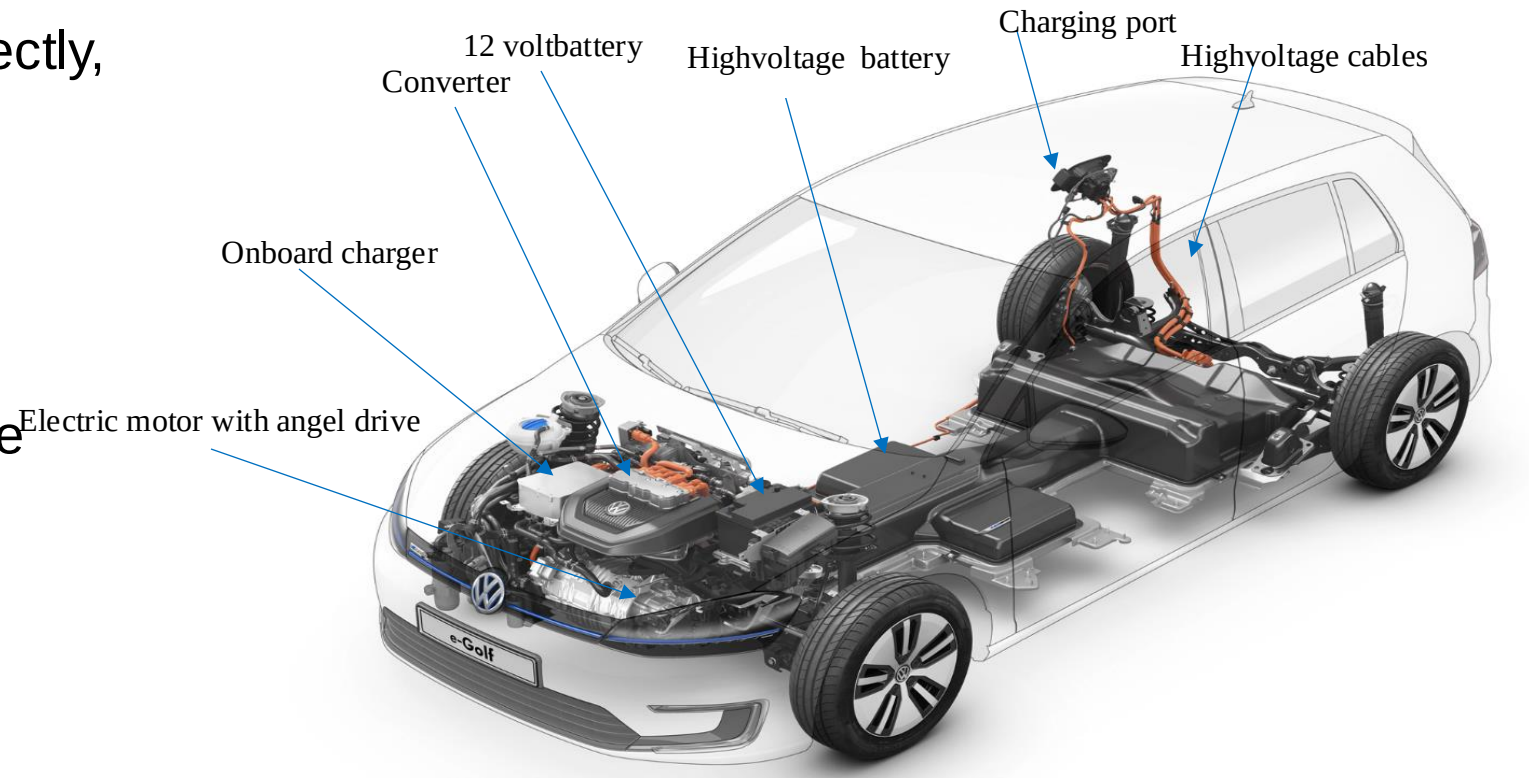
Highvoltage cables with visible damage MUST be replaced.

The electric car is more than a battery!

AC and heatpump is used to heat up and cool down the high-voltage battery during fast charging, this means that if the ac system don`t work correctly, the charging time will be exceeded.

Regenerativ breaking means that the brakes are not used as much as on car with internal combustion engine, this means that service of the brakes is more important than ever.

Fault findings and batterydiagnosis.




PRO


Q&A

REMOTE DIAGNOSTICS – A NEW ENABLER

Andreas Forslund
Solutions manager, MEKO

MEKO

This is remote diagnostics

- Replicating the vehicles diagnostic port to a centralized diagnostic team with OE diagnostic capabilities
- Diagnostic services from a distance
- Provides same diagnostic capabilities as OE from a remote provider

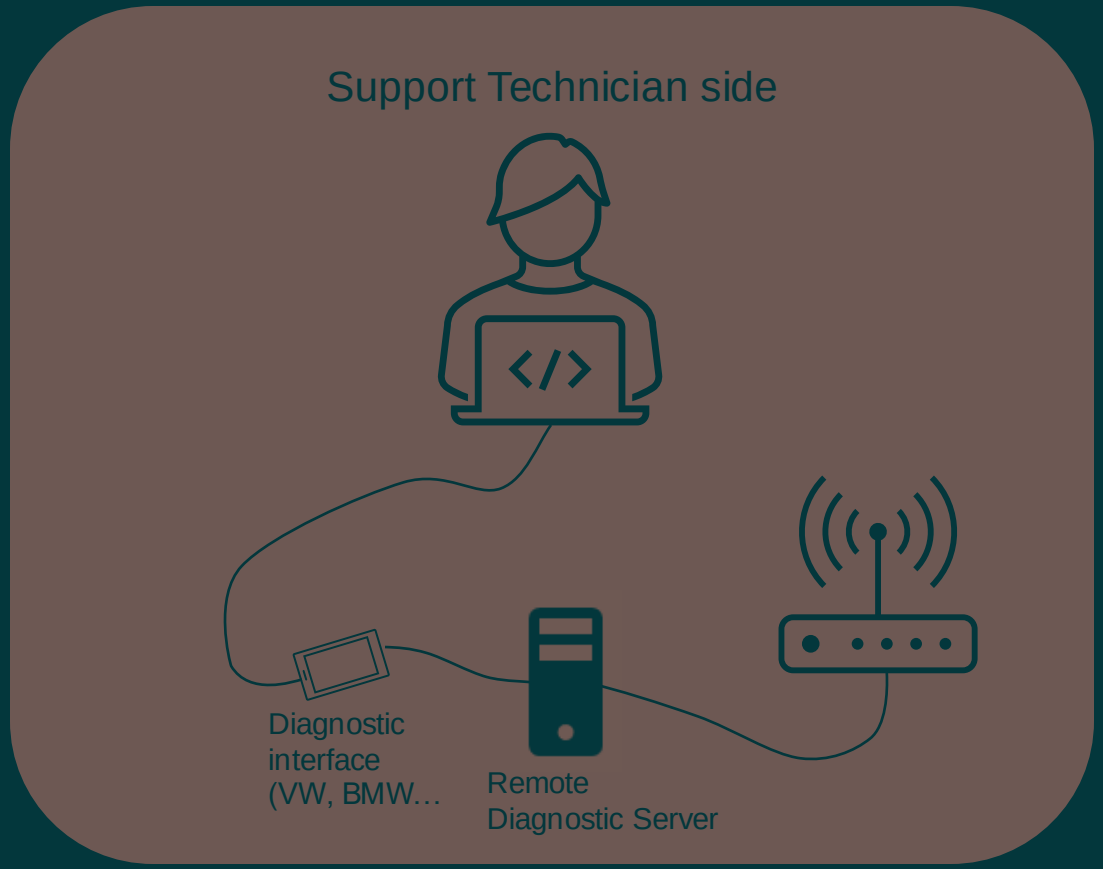
MEKO

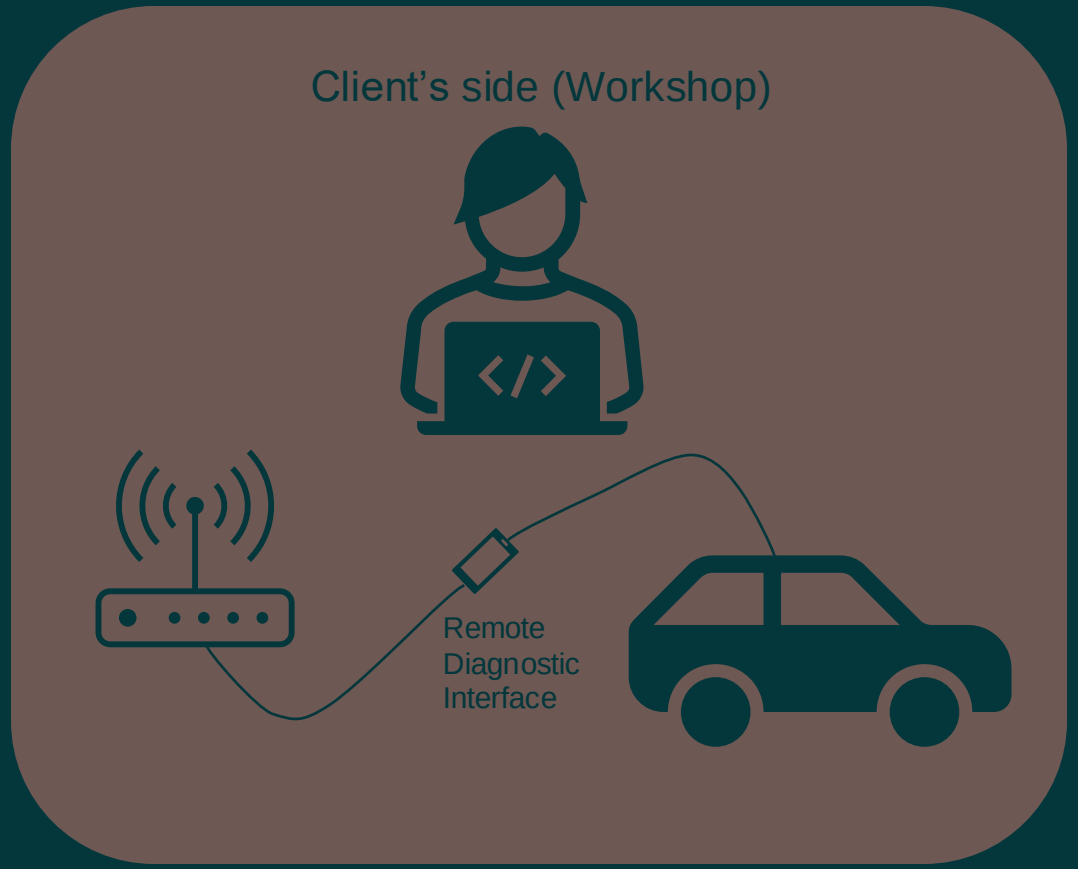
Drivers for using remote diagnostics

- Lock-in measures from OEM, access to data
- Updated software solves problems
- Increasing number of car brands
- Filling the gaps in coverage of multi-brand diagnostic testers

MEKO

Understanding Remote diagnostics





MEKO

Remote diagnostics – the process

Remote Diagnostic supplier

Delivery

- OE diagnostic equipment is connected to the server
- Selected diagnostic service starts through remote interface.
- Communication via chat

Workshop

Preparations

- Connect the remote diagnostic interface to the vehicle's OBD-II port and to a network cable
- Log in via mobile phone. Enter username and password
- Connect a charger to the vehicle (>120A)

Order

- Select vehicle via search by VIN number
- Select the desired service in the app
- Accept price

Actions

- If needed. Ex. switching ignition off and on.

Verification

- Workshop verify that the operation has been succesful

Typical applications for remote diagnostics

- Calibrating cameras, radar and lidar systems
- Service reset (including secured vehicles)
- Programming keys -> remote control
- Code, reset and unlock replaced control modules e.g. steering, gearbox, headlamps
- Coding of accessories/functions, e.g. tow bar
- Diagnostic operations on new models that still aren’t covered by diagnostic equipment in the workshop

Summary

- Increases the ability to handle all cars for workshops without support from OE
- Equalizes the competitive advantages OE has over independent repairers
- Low threshold for getting started
- Offers new business in form a broader range of services
- Cost effective


Q&A

SUSTAINABILITY: DEVELOPMENTS IN THE AFTERMARKET

Louise Wohrne
Head of Sustainability, MEKO

The current state of sustainability in the aftermarket

- The automotive aftermarket is an industry which previously has had low pressure on improving sustainability performance
- Focus has been on compliance
- Most big suppliers and distributors have sustainability strategies and some targets
- Immature when it comes to sustainability reporting
- There is a lack of product sustainability data e.g. life cycle assessments

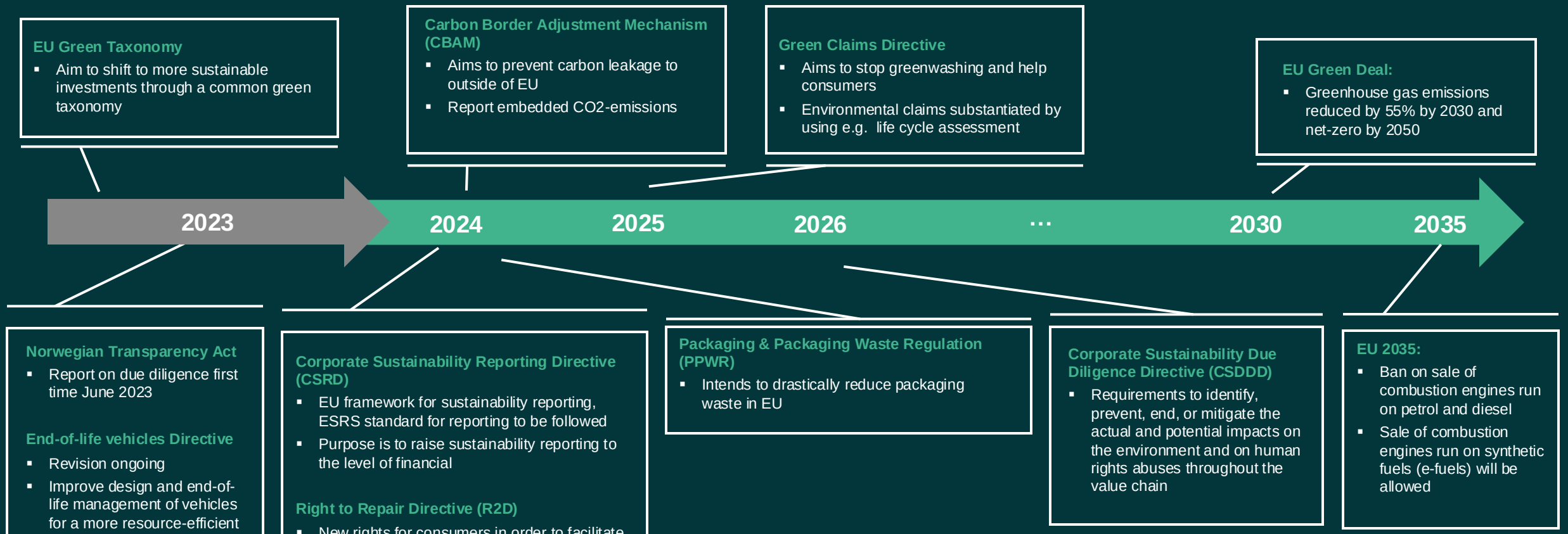
Stakeholder expectations are rising

Legislators	Investors	B2B-customers	Business partners	Employees
Increased amount of sustainability related regulations, mainly driven by the EU.	More focus on sustainable investments, such as sustainability linked-loans.	Fleet customers want product sustainability data.	Focus on e.g. climate and EV competence	Want their work to have a sense of purpose

New requirements on automotive aftermarket sustainability

MEKO

Many new legislations are impacting the automotive aftermarket



Implications for the aftermarket

Stronger need for:

Integration

Integrating sustainability in the business and core processes.

Transparency

Transparency, with the good, the not so good, and the challenges

Data

Collecting and reporting data, in external reports and to customers

Collaboration

Collaboration in the value chain and with peers is key

Action

Less talk, more action.

MEKO

Collaboration for improved aftermarket sustainability

MEKO is a founding member of the **Forum on Automotive Aftermarket Sustainability** (FAAS)

FAAS is a recently founded non-profit European association, dedicated to advancing sustainability within the automotive aftermarket sector

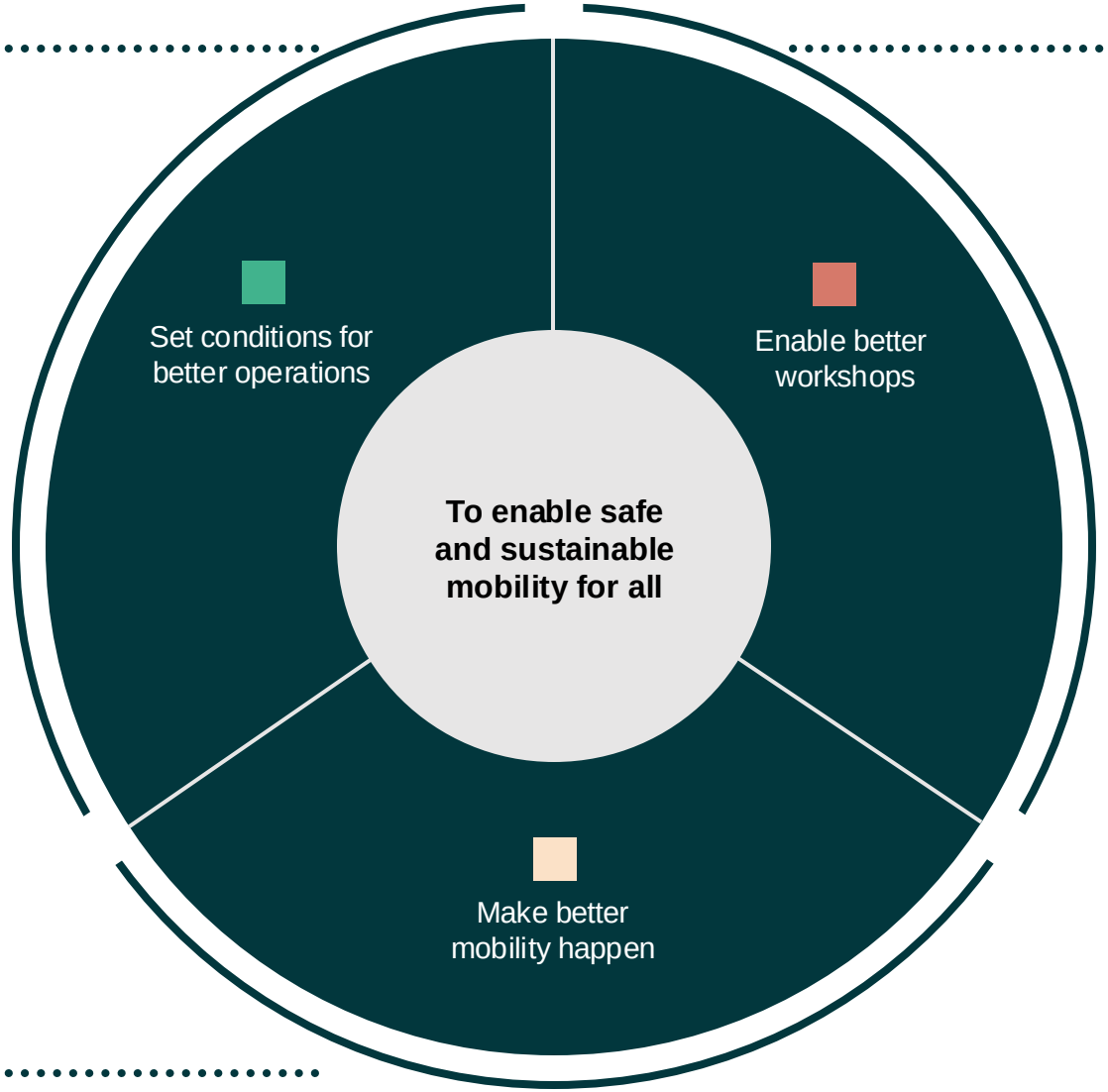
41 members across the automotive aftermarket value chain: manufacturers, suppliers, retailers, workshops, service providers and consumers

WG 1: Study on when it's more sustainable to repair vs. buying a new vehicle
WG 2: Remanufacturing of components
WG 3: Development of a PCF calculation methodology
WG 4: Optimization of supply chain logistics

What MEKO is doing to be more sustainable

- Climate policy in place (SBT)
- Attractive employer – attract, retain & activate
- Develop sustainable and circular products
- Responsible sourcing

- Ensure service to all low emission customers
- Innovate for safe, sustainable and circular usage of vehicles
- Nudge customers towards sustainable solutions and products



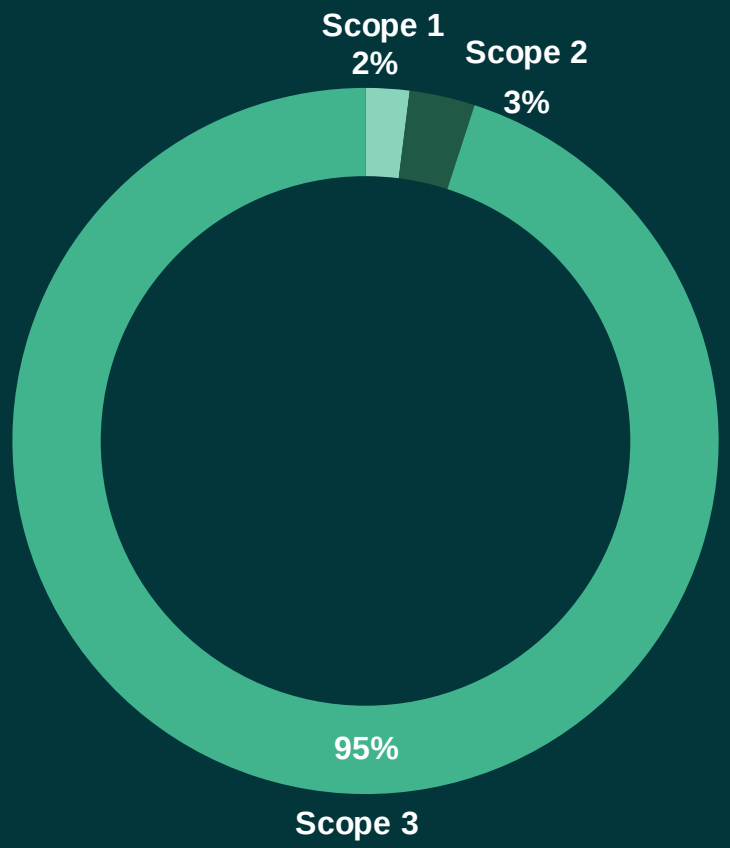
- Reduce environmental impact
- Lead competence development across own, affiliated and other workshops.
- Equal, inclusive and safe workplace.

Why

How

What

MEKO will set science-based targets to reduce the climate impact



- MEKO has committed to set science-based climate targets aligned with the Paris agreement's 1.5 degree pathway
- Direct impact (scope 1*): mainly through transports to branches and workshops with delivery vehicles and emissions from company cars
- Indirect emissions (scope 2 & 3*): mainly through the purchase of products and services, energy consumption and transport of goods
- Target that all company cars and delivery vehicles should be low-carbon** by 2030

* Scope 1: Direct emissions e.g. own transports, Scope 2: Indirect emission from purchased energy, Scope 3: Indirect emissions e.g. purchased goods and services
**Low-carbon: low-CO_2 emissions technology, such as electricity, plug-in hybrid, biogas, hydrogen compared with cars that are exclusively powered by fossil fuels, such as diesel, petrol and natural gas.

Examples of sustainable initiatives in MEKO

Rental services of roof boxes & other equipment in Sweden

Installation of solar panels

Investments in electric delivery cars

Enhanced transparency in MEKO's supply chain

- MEKO is strengthening our sustainability efforts through a new partnership with Worldfavor
- Risk management, supplier assessments and better follow-up
- Aim is to improve MEKO’s supply chain sustainability
- Useful in implementation of CSRD, the EU Taxonomy and the upcoming CSDDD
- Implementation starts in Q3 2024

Summary

- Historically, the automotive aftermarket has not been a leading industry when it comes to sustainability
- Change is coming, due to new requirements from stakeholders, such as new legislations
- Actions are taken, such as establishing the FAAS
- MEKO strives to be the sustainability leader in the industry

MEKO


Q&A