
BELRON

# BELRON

## SOLVING PEOPLE’S PROBLEMS WITH REAL CARE

CARGLASS

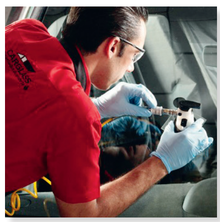
Lebeau
Vitres d'autos

## WHAT WE DO

Belron makes a difference by **solving people's problems with real care**. It is the worldwide leader in vehicle glass repair and replacement with **more than ten major brands** – including Carglass®, Safelite® AutoGlass and Autoglass®. In addition, it manages vehicle glass and other insurance claims on behalf of insurance customers. Building on its existing capability and expertise, Belron is **expanding its services** to focus on solving problems for people who need assistance with repairs to their vehicles. It is also exploring opportunities to develop its business in home repairs.

Belron looks after around 15 million consumers each year in 33 countries on five continents with a focus on **service quality** generating a very high level of customer satisfaction.

| | 2015 | 2016 |
|---|---|---|
| Consumers (in millions) | 14.1 | **15.2** |
| NPS[1] | 79.5% | **82.6%** |

1 Net Promoter Score

INTERVIEW WITH

# GARY LUBNER

BELRON'S CEO

## MAKING A DIFFERENCE BY SOLVING PEOPLE'S PROBLEMS WITH REAL CARE

> *The clarity around the purpose of the business has helped us evaluate which new services we wish to deliver*

**What led you to come up with a new purpose statement for Belron?**

We have experienced declining vehicle glass repair and replacement ("VGRR") markets in the developed economies of the world for several years, attributable to people driving fewer kilometres, at lower speeds, using smaller vehicles. There is also less vehicle crime and better road surfaces. We expect these trends to continue, resulting in continued headwinds for our current businesses for the foreseeable future.

This led us to undertake a strategic review in 2015, with the support of McKinsey, which focussed on our core capabilities and proximate markets. During this review we realised that a solely "bottom up" approach was insufficient and that we should also take a "top down" approach, looking at the core purpose of our business. As a result we came up with our purpose statement: "Making a difference by solving people's problems with real care". The clarity around the purpose of the business has helped us evaluate which new services we wish to deliver, along with criteria such as size, scalability, ability to disrupt, and the use of our capabilities.

**How is your search for new services progressing?**

During our initial work we identified five primary areas for consideration out of a preliminary list of over three hundred. These were: vehicle services, property services, social services, insurance claims management and automotive information services. After further consideration we prioritised vehicle, property, and claims management services.

We approached the new services on a national basis with our largest countries evaluating the priority areas together with central teams. I am delighted that in December 2016 we entered a binding agreement to acquire CARe Carrosserie in Belgium and completed the acquisition of Speedy Collision in Canada, both specialists in automotive damage repair. These were the first major acquisitions as part of our new services strategy. In addition, we have substantially expanded our non-glass claims management activities in the USA where we managed more than 1.6 million claims in 2016, compared to 0.8 million in 2015.

We also piloted smart repair services in our Dutch and Italian businesses and continued to expand our mobile vehicle damage services in the UK. This is excellent progress given that our decision on which industries to focus was not concluded until the end of February.

**Can you explain what people & customer driven means?**

We are firm believers that you cannot delight your customers unless you delight your people first. Our people driven initiatives focus on making Belron a great place for our people to work, and we are going even further by aiming to make it the best place our people have ever worked. We plan to achieve this by focussing on capability and engagement. We provide extensive training and development opportunities ensuring we have the best technicians and people operating in all areas of the business. We have recently developed a new approach for technicians that involves combining simulated virtual training with real on-the-job training. The outstanding capability of our technicians was showcased at the Best of Belron competition in Lisbon in the year (see Key Events section on page 8). On the engagement front we have introduced a monthly people metric,

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to focus on promoting our culture. This is already embedded across 15 of our business units, with more adopting it all the time. We also undertake proactive activities in support of 12 specific areas that we know drive engagement.

Insofar as our customers are concerned, we focus on four areas to become customer driven: be our customers, make it personal, innovate every day and consistently delight. Being our customers involves real insight by putting ourselves in our customers' shoes and looking at the services we offer through their eyes, as opposed to our own perspective. One of our key learnings this year has been around speed of service; many of our customers do not necessarily expect a same day service, and are equally satisfied to wait a day or two for a time that is convenient for them. Making it personal means adapting our services for our different customers. This can be a real challenge when trying to drive operational efficiency but is key to delighting our customers. Innovating everyday involves continuously improving our services, focussing on incremental change rather than revolution. Finally, we need to execute flawlessly and ensure that we delight every customer every day. I am delighted that our overall group Net Promoter Score reached 82.6% in 2016, which I believe is the highest level of any multinational organisation. This relentless focus on service also brings huge value to our insurance partners as we know that a policy holder's propensity to renew with their existing insurer is hugely increased with a great claims experience, plus it permits additional insurance cover to be offered.


One other initiative we undertook in 2016 was the first ever Belron startup accelerator programme, "Drive". We offered innovative disruptive companies that could help improve our operations and approach to delivering an exceptional customer experience, the opportunity to work with us. In return they received investment and support to grow their businesses. The winner of the programme was "Sorry as a Service" who offer a unique and personalised approach to customer relationships. They are now working closely with our business in the UK to develop a platform to provide easy access to information about each customer's experience and interaction with us, enabling us to still delight a customer even when things don't go perfectly.

**What are the other key priorities for Belron?**

We remain committed to becoming the "natural choice" in whatever market we operate in whether VGRR, auto services, property services or claims management. This means that we want to be the clear leader across our business; to be unrivalled in terms of the services we offer and the innovation we bring.

We also believe in being a nationally led, globally supported organisation. We know that our countries are closest to their markets and are in the best position to make the ultimate decisions about how to operate their businesses. We avoid reinventing the wheel by sharing great practices throughout the organisation. This is what the central teams do – they are real experts who focus on specific areas to support their colleagues in the countries and who also bring innovation in their own right.

Our other key priority, and one I consider to be the most important of all, is inspiring leadership. I have always believed that leadership is the ultimate competitive advantage and that it is through outstanding leaders that an organisation succeeds and flourishes. We regularly measure our leadership capability and invest a substantial amount in supporting our leaders in their development. I am delighted that our leadership metrics achieved record levels in 2016.

**What is the Spirit of Belron?**

The Spirit of Belron is our unique culture. While it is always difficult to put a culture into words, we have tried to capture the Belron culture in four words: Caring; Driven; Collaborative; and Genuine. We believe in taking care of our customers, our people and our communities. We aspire to be exceptional rather than ordinary. We believe that we will travel further together rather than apart and finally we believe

*We focus on four areas to become customer driven: be our customers, make it personal, innovate every day and consistently delight.*

We want to be the clear leader across our business and to be unrivalled in terms of the services we offer and the innovation we bring.

that being genuine is key to our long term sustainability. We celebrated our culture at the Spirit of Belron Challenge in September and I was delighted that this year we had 2,000 competitors from 27 countries who took part in sporting events, including a triathlon, duathlon, and our first half marathon. We also raised more than EUR 1 million for our corporate charity Afrika Tikkun. I was also delighted that eight of our countries achieved gold standard on the Ecovadis sustainability platform.

**What are your reflections on 2016 in light of your strategic priorities?**

The first point to make is that, in line with our expectations, a number of VGRR markets continued to decline in the developed economies of the world, challenging our management teams in all countries. Market conditions were particularly challenging in France and Italy with fuel strikes in France affecting kilometres driven and a particularly dry winter in Italy exacerbating the underlying trends. We have recorded an asset impairment in relation to our Italian business as we do not anticipate a market recovery.

Despite these headwinds, we increased the number of VGRR customers we served by 4% from 10.9 million to 11.3 million and we achieved a record level of service at an NPS of 82.6% through our customer driven activities. This was delivered through a huge number of sales and marketing initiatives focused on delivering value to both the motorist and our key insurance and fleet and lease partners. We have introduced VGRR claims management services in several markets to reduce our partners' administrative costs while also increasing motorist awareness and preference through innovative marketing, both traditional and digital. Our US business, Safelite AutoGlass, recorded the strongest growth with customers served increasing by 6% which is an outstanding result. I am also pleased with the investments we have made to ensure that we can serve motorists who have Advanced Driver Assistance Systems (see box on page 28) on their vehicles without having to refer them to their dealerships, thereby improving the service and reducing costs for our customers and partners.

I am pleased with the recovery in the UK following the disruption associated with the operating model changes we made in 2014 and 2015, although the drop in sterling following the Brexit vote has increased our glass costs and resulted in an asset impairment as the euro value of our UK business decreased. We also recorded an impairment in relation to our Dutch business due to further expected declines in the market which we expect to continue to put pressure on the profitability of the business.

The *adjusted* operating result rose by 5% to EUR 191 million mainly on the back of lower losses in the UK and a higher contribution from the US partly offset by declines in Italy and several other European markets and a higher charge for the long term management incentive plan. Improving the profitability despite the market declines is an excellent result and gives us a solid base on which to build our service extension ambition.

As always, none of this could be achieved without the hard work and dedication of our amazing people who work tirelessly to solve our customers' problems every day. I am extremely grateful to them all.



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## ADAS

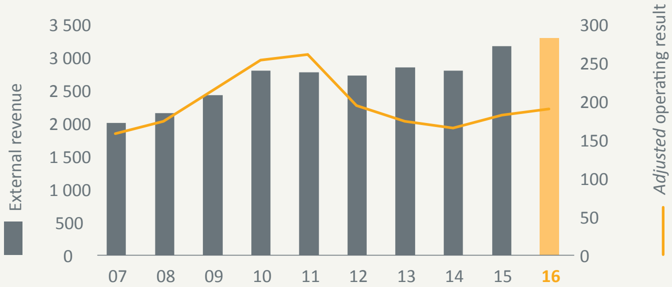
Vehicle complexity is continuing to increase presenting technical challenges when replacing a windscreen. This has been the case for many years with items such as heating elements and rain sensors. However, in recent years Belron has been faced with the challenge of Advanced Driver Assistance Systems ("ADAS"), many of which involve a camera mounted in the rear view mirror that is attached to the windscreen. Accordingly, in line with the manufacturer's guidance, the ADAS need to be recalibrated after a windscreen replacement inorder to ensure that the system continues to operate in accordance with its specification.

Belron has worked with specialist recalibration companies to develop tools and techniques, to ensure that we can recalibrate systems as part of the service, rather than having to refer customers to alternative suppliers. We have invested in recalibration tools and in 2016 completed more than 70,000 recalibrations as part of our replacement services. We expect this to continue to increase in 2017 as vehicles with ADAS continue to become more prevalent and we will respond accordingly.

# KEY FIGURES

| (EUR million) | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total jobs (in million units) | 8.4 | 9.4 | 10.7 | 11.7 | 11.3 | 10.4 | 10.8 | 10.5 | 10.9 | 11.3 |
| External revenue | 2,000.0 | 2,156.1 | 2,423.2 | 2,800.9 | 2,769.0 | 2,727.2 | 2,843.1 | 2,792.6 | 3,161.2 | 3,305.4 |
| *Adjusted* operating result[1] | 156.5 | 173.9 | 215.5 | 255.6 | 262.3 | 196.0 | 173.5 | 165.1 | 182.0 | 190.7 |
| *Adjusted operating margin*[1] | 7.8% | 8.1% | 8.9% | 9.1% | 9.5% | 7.2% | 6.1% | 5.9% | 5.8% | 5.8% |
| *Adjusted* result, group's share | | | | | | | | | | |
| before tax[1] | 97.6 | 108.6 | 150.4 | 211.3 | 213.1 | 147.7 | 130.5 | 123.4 | 137.6 | 148.4 |
| after tax[1] | 83.4 | 86.7 | 126.1 | 155.5 | 162.3 | 110.9 | 93.1 | 94.3 | 112.2 | 122.6 |
| Average workforce *(average full time equivalents)* | 18,281 | 20,833 | 22,399 | 24,790 | 25,199 | 24,200 | 25,645 | 25,204 | 26,390 | 26,340 |

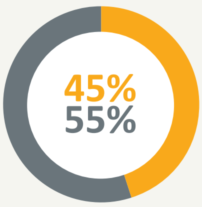
**REVENUE AND *ADJUSTED* OPERATING RESULT[1] (EUR million)**




**REVENUE BREAKDOWN BY REGION**

**3,305.4**

EUR million in 2016

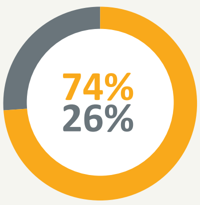



| EUR million | 2015 | 2016 | Change |
|---|---|---|---|
| EUROPE | 1,453.9 | 1,482.4 | +2.0% |
| REST OF THE WORLD | 1,707.3 | 1,823.0 | +6.8% |
| **Total** | **3,161.2** | **3,305.4** | **+4.6%** |

**JOBS BREAKDOWN BY TYPE**

**11.3**

million jobs in 2016

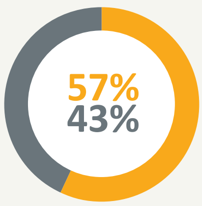



| in million units | 2015 | 2016 | Change |
|---|---|---|---|
| REPLACEMENT | 8.1 | 8.4 | +3.7% |
| REPAIR | 2.8 | 2.9 | +3.6% |
| **Total** | **10.9** | **11.3** | **+3.7%** |

**JOBS BREAKDOWN BY TYPE**

**11.3**

million jobs in 2016




| in million units | 2015 | 2016 | Change |
|---|---|---|---|
| MOBILE | 6.0 | 6.4 | +6.7% |
| NON-MOBILE | 4.9 | 4.9 | +0.0% |
| **Total** | **10.9** | **11.3** | **+3.7%** |

1 Excluding *adjusting* items (APM - see glossary on page 48).