

# BELRON

## WORLDWIDE LEADER IN VEHICLE GLASS REPAIR AND REPLACEMENT



### WHAT WE DO

Belron is the worldwide leader in vehicle glass repair and replacement. With more than **ten major brands** – including Carglass®, Safelite® AutoGlass and Autoglass® – and a network of subsidiaries and franchisees in 33 countries on five continents, the company completed a job every three seconds in 2015. 2,376 branches and 9,879 mobile units, **available 24/7** in most countries, enable its service teams to meet customer demand anywhere, any time. This focus on service quality generates a very high level of customer satisfaction.

Belron has also forged **long-term partnerships** with many large insurance, lease and fleet companies, enabling it to handle claim events from start to finish and greatly simplifying the administration process.

	2014*	2015
Mobile units	9,257	9,879
Branches	2,370	2,376

\* Excluding Brazil and China.

## INTERVIEW WITH GARY LUBNER CEO OF BELRON



**GODELIEVE BIESMANS**  
Customer Contact Centre Agent

"November 2015 saw the highest ever Net Promoter Score for the Belron group as a whole at 84.3%."

## TRANSFORMING FOR TOMORROW

"Our deep-rooted innovation and drive keeps us at the front of the market."

How are you looking to make sure that Belron stays at the forefront of Vehicle Glass Repair and Replacement in your countries?

**Gary Lubner:** We continued to face declining market conditions in many countries though we experienced a second exceptional winter in the USA in 2015. The underlying drivers of kilometres driven, speeds, windscreen size and road conditions continue to cause a reduction in the breakage rate in all developed markets, with the winter weather offsetting these trends in the USA but not in Europe. In response to these challenges we implemented many new initiatives, both to grow market share and to improve operational efficiency. As always, the group shared ideas across the different countries in order to leverage both our scale and scope.

Tell us more about this. For example, what does it mean for your sales and marketing activity?

**Gary Lubner:** Our deep-rooted innovation and drive keeps us at the front of the market. Many of our business units are exploring new and exciting opportunities, driven by changing markets and developing technology. For example, Safelite® in the USA is really leading the way in how we harness the significant new opportunities offered by digital technology.

At Safelite, as across the group, we are growing our business online, building on foundations laid in previous years. More than 60% of Safelite online customers are now using a mobile device, which is driving us to focus on creating a simplified user experience. This is all about providing customers with the opportunity to reach us in the way that best suits them, and we are achieving great success in this area because what we are doing is based on feedback from our customers. This is exciting work because we have found that small changes can make a really big difference for the customer. An example of the progress we are making in this area is the significant increase in the proportion of bookings made online.

We are also maximising our results from using paid search and are significantly investing in digital advertising. The business

has also put a significant emphasis on developing its social media activity; be that planned activity or fast-time reactive activity to seize opportunities when relevant topics are trending. Unlike traditional marketing, this is all about minutes and hours, not days and weeks.

We continue to transform the business landscape with very successful promotions, and have some great examples from Carglass® France. Having run its first wiper promotion in 2012 (whereby customers received free wipers when having a windscreen repaired or replaced), in 2015 Carglass® France ran three wiper promotions, one promotion offering a car wash card and another with a subscription to the automatic motorway toll service. These gift promotions were also supported by other integrated activities including educational campaigns focusing on topical safety messages.

Another exciting way we are transforming our business is with the introduction of Third Party Administration (TPA) services in several countries. We operate developed TPA business partnerships in the US and Canada, handling and administering vehicle glass repair and replacement claims for many of the largest North American insurance companies. Our most notable addition in this area last year was in Australia, where we entered a partnership with a major insurer to offer TPA services. TPA deepens and enhances our relationship with our insurance partners and is a key means of adding value for them. Although Europe typically offers less opportunity in this area, we are performing claims handling and TPA services for certain key European insurers and continue to actively pursue opportunities in this area in all our major geographies.

Are there any operational successes that you feel particularly proud of?

**Gary Lubner:** I am incredibly proud that we continue to set record levels of customer service. Delivering consistently superior service is absolutely fundamental to Belron, and we measure this using the Net Promoter Score, which shows the number of customers who say that they would not only return to us, but would also recommend us to others. Despite all the challenges of the year, we succeeded in achieving record monthly scores in Australia, Greece, France, Canada, Denmark, the USA, the Netherlands and Sweden. In fact, November 2015 saw the highest ever Net Promoter Score for the Belron group as a whole at 84.3%.

We have delivered a really innovative network expansion at Carglass® France. The thinking behind this was to expand in less densely populated areas, with low cost 'mobile branches' such as shipping containers built to accommodate Carglass® activity and in shared locations. Key to this expansion has been a partnership with Total which has seen Carglass® branches appearing across the largest petrol station network in France. In 2015, Carglass® France opened 83 new service locations, bringing the total number of branches in the network to 422.

Belron has a reputation for being at the forefront of new industry developments, and a great example of this is how we are leading the way in Advanced Driver Assistance Systems (ADAS) which are high tech systems developed to help the driver. Our capability in this area has been developed in several countries, with critical know-how from Belron Technical, our research and development division.

Our combined knowledge on ADAS fitment, functionality and standardised process for camera calibration is unique in the industry and we are rapidly becoming the go-to solution for calibration needs. We work with respected industry expert technology providers to deliver a multi brand calibration solu-



tion and use specialist target boards to allow us to calibrate cameras. As a result, we are currently capable of calibrating 95% of all the vehicles equipped with a camera that come to us for a replacement in Europe, and are working with our technology partners to reach over 99% by mid-2016 and to extend into North America and Australasia.

I am also proud of the work behind the scenes that takes place to ensure we are effective and efficient. We use the 'Our People's Time Index' (OPTI) productivity framework which gives great insight into where the time of our technicians is being spent; monitoring core activities, such as fitting, travelling, customer service and administration tasks as well as identifying time being spent on 'wasteful' activities, for example rescheduling customer appointments due to having the wrong piece of glass, or warranty repairs. In 2015 we started developing and extending our OPTI framework to measure and enable smarter planning of resource. Carglass® Germany is a great example of our productivity framework in action, with a structured ap-

proach to driving smarter measurement, planning, scheduling and executing of work by our Field Operations workforce.

#### What have been the key operational challenges for Belron over the last year?

**Gary Lubner:** We have faced some important challenges over the year. In Italy we have made efficiency changes after one of the major insurance partners set up its own network for fulfilling glass claims in December 2014, leading to a significant reduction in volumes, and in Germany we took the decision to discontinue our vehicle glass repair and replacement business for heavy commercial vehicles.

In the UK we finalised our major restructuring programme, moving to an entirely mobile operating model replacing our former network of branches. Introducing a new business model on this scale led to some disruption and operational challenges but the impact decreased rapidly as these were addressed.

The UK business is now significantly better equipped to meet the challenges of the changing market, both present and future.

In the Netherlands, we had anticipated increased competition and price pressure and had accordingly planned a number of changes, developing a far more cost effective model. We have moved to a network of small branches with one, two or three technicians and a new branch layout, look and feel. We have also relocated a number of branches where we could achieve significant rent savings.

This transformational change in both the UK and the Netherlands was designed to preserve and strengthen our position in the market, delivering a profitable business on a long term, sustainable basis.

*"The UK business is now significantly better equipped to meet the challenges of the changing market, both present and future."*

#### How did your emerging market strategy change in 2015?

**Gary Lubner:** We have struggled to deliver profitable growth in emerging markets over the past few years. I attribute this to two primary factors: firstly, the lack of sophistication and

control in the insurance segment and secondly, the level of turbulence in these markets.

We entered China in 2009 and expanded into several cities through acquisitions. The transformation of the former owner-managed businesses into subsidiaries of a major multinational corporation necessitated significant cost increases in order to achieve the necessary level of compliance. However, due to the

lack of sophistication in the market we have been unable to generate the level of sales commensurate with these higher costs. Further, as we grew, the compliance costs we faced continued to increase. After a detailed review in 2015, we took the decision that continuing to pursue the market entry would

be excessively costly for the group at this time.

In Brazil, turbulence in the economy and in the market led to profit challenges over recent years. While our losses decreased in 2015, we are delighted to have concluded a joint venture agreement with Advisia early in 2016. This will give the business the benefit of local entrepreneurs, supported by global Belron knowledge and capabilities.

**MARJORIE SZTOMPKA**  
Branch Manager



Our other emerging market operations in Russia and Turkey are both performing acceptably.

Tell us about what the future holds for Belron.

**Gary Lubner:** As we look ahead, our view is that the underlying trends in the developed vehicle glass repair and replacement markets that have been experienced in the last few years will continue. We anticipate declining volumes and continued pricing pressure as all market players seek market share.

We plan to continue to deploy initiatives, commercial actions and efficiency gains in response to this to retain our leading position, as well as consolidating the industry where appropriate such as our acquisitions of franchise networks in the Netherlands and Germany in 2015. These acquisitions allow us to offer alternative service models to the market. We will

continue to reap the benefits of the changes I have already described, and will continue to transform into 2016 and beyond in order to meet future challenges head-on.

While we continue to believe in our capacity to generate value in the VGRR segment we undertook a detailed strategic review in 2015 supported by McKinsey consultants which identified additional service markets where we can leverage our key competencies to deliver future profitable growth. Our focus is primarily on providing additional 'distressed service' to customers for their vehicles and in their homes. We are excited by the opportunities that have been identified and will pursue them in 2016 and beyond. At our core will be our goal of making a difference to our customers by solving their everyday problems with real care.

"At our core will be our goal of making a difference to our customers by solving their everyday problems with real care."

**TIMUR KARATMANLI**  
Branch Manager



BELRON

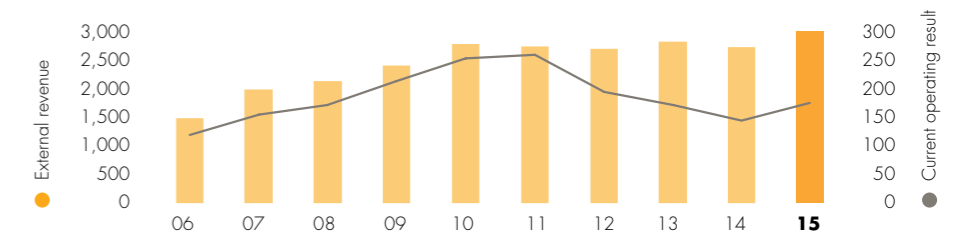
# KEY FIGURES

(EUR million)	2006	2007	2008	2009	2010	2011	2012	2013	2014 <sup>1</sup>	2015
Total jobs (in million units)	6.1	8.4	9.4	10.7	11.7	11.3	10.4	10.8	10.5	10.9
External revenue	1,507.3	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
Current operating result <sup>2</sup>	119.9	156.5	173.9	215.5	255.6	262.3	196.0	173.5	165.1	182.0
Current operating margin	8.0%	7.8%	8.1%	8.9%	9.1%	9.5%	7.2%	6.1%	5.9%	5.8%
Current result, group's share										
before tax <sup>2</sup>	72	97.6	108.6	150.4	211.3	213.1	147.7	130.5	123.4	137.6
after tax <sup>2</sup>	62.7	83.4	86.7	126.1	155.5	162.3	110.9	93.1	94.3	112.2
Average workforce (average full time equivalents)	12,731	18,281	20,833	22,399	24,790	25,199	24,200	25,645	25,204	25,608

<sup>1</sup> Restated to reflect discontinued operations in the Vehicle Glass segment. See notes 2 and 41 of the 2015 Consolidated Financial Statements.

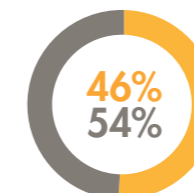
<sup>2</sup> Before unusual items and re-measurements (APM - see glossary on page 40).

EVOLUTION OF REVENUE AND CURRENT OPERATING RESULT OF BELRON SINCE 2006 (EUR million)



REVENUE BREAKDOWN BY REGION

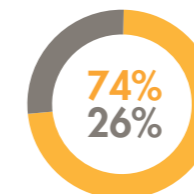
EUR  
**3,161.2**  
million in 2015



EUR million	2014	2015	Change
• Europe	1,455.2	1,453.9	- 0.2%
• Rest of the world	1,337.4	1,707.3	+27.7%
Total	2,792.6	3,161.2	+13.2%

JOBS BREAKDOWN BY TYPE

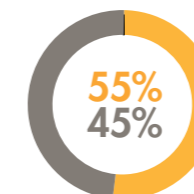
**10.9**  
million jobs in 2015



in million units	2014	2015	Change
• Replacement	7.7	8.1	+4.3%
• Repair	2.8	2.8	+0.2%
Total	10.5	10.9	+3.2%

JOBS BREAKDOWN BY TYPE

**10.9**  
million jobs in 2015



in million units	2014	2015	Change
• Mobile	5.7	6.0	+5.7%
• Non-mobile	4.8	4.9	+0.4%
Total	10.5	10.9	+3.2%