COMPANY PROFILE

Robert Bosch GmbH

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COMPANY OVERVIEW

Robert Bosch GmbH (Bosch or 'the group') is a global supplier of automotive, industrial, energy and building technology products and consumer goods. The group has operations in more than 150 countries across Europe, Americas, Asia and other countries. Bosch is headquartered in Stuttgart, Germany and employed 290,183 people as of December 31, 2014.

The group recorded revenues of E48,951 million ($65,031.4 million) during the financial year ended December 2014 (FY2014), an increase of 6.3% over FY2013. The operating profit of the group was E1,648 million ($2,189.4 million) in FY2014, an increase of 48.6% over FY2013. The net profit of the group was E2,410 million ($3,201.7 million) in FY2014, as compared to a net profit of E1,096 million ($1,456 million) in FY2013.

*Note: Operating profit calculated by deducting cost of sales, distribution and administrative cost, research and development cost, and other operating expenses from sales revenue.

KEY FACTS

Head Office	Robert Bosch GmbH 70049 Stuttgart DEU
Phone	49 711 8110
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Web Address	http://www.bosch.com
Revenue / turnover (EUR Mn)	48,951.0
Financial Year End	December
Employees	290,183

SWOT ANALYSIS

Robert Bosch GmbH (Bosch or 'the group') is a global supplier of automotive, industrial, energy and building technology products and consumer goods. The group's strategically balanced portfolio reduces the business risks and enables it to tap opportunities in new as well as existing markets. However, competitive pressures from global and regional parts manufacturers, and industry consolidation could force the group to reduce prices, which could strain its margins.

Strengths	**Weaknesses**
Strategically balanced portfolio of products Strong R&D capabilities Geographic diversification	Overdependence on a single segment Frequent strikes by workforce unions
Opportunities	**Threats**
Increasing adoption of electromobility in Germany could drive growth Growing global automotive manufacturing industry Strategic acquisitions and joint ventures	Competitive pressures Fluctuations in currency exchange rates

Strengths

Strategically balanced portfolio of products

Bosch is diversified in terms of end markets that it serves. It provides diversified set of offerings through its operating business segments, which include mobility solutions, industrial technology, energy and building technology, consumer goods and other business segments. The mobility solutions segment primarily consists of injection technology for internal-combustion engines; alternative powertrain concepts; efficient and networked powertrain; peripherals; systems for active and passive driving safety; assistance and comfort functions; technology for user-friendly infotainment as well as car-to-car and Car2X communication; and concepts, technology, and services for the automotive aftermarket. The segment's product portfolio includes gasoline systems, diesel systems, chassis systems brakes, chassis systems control, electrical drives, starter motors and generators, car multimedia, automotive electronics, automotive aftermarket and steering systems.

In addition, the group provides drive and control technology, packaging technology and photovoltaic products through its industrial technology segment. The group's energy and building technology segment offers a range of products and services in the fields of heating, air-conditioning, and security. The segment offers video-surveillance, intrusion-detection, and fire-detection systems, as well as access-control, public-address and evacuation systems, and professional audio and conference systems. Furthermore, the group's consumer goods segment offers gardening equipment, digital laser measurement tools, and household appliances such as washing machines, dryers, refrigerators, freezers, dishwashers, and vacuum cleaners.

Strategically balanced product portfolio not only shields Bosch against unfavorable forces in a specific market by dispersing its business risks, but also enables it to benefit from opportunities available across various industries.

Strong R&D capabilities

The group has robust R&D capabilities, which enable it to launch innovative new solutions. The group spends approximately half of its R&D budget on environmental protection, including energy efficiency and resource conservation. The group's R&D expenses were E4,959 million ($6,855 million) in FY2014, which accounted for 10.1% of the total sales in FY2014. In October 2015, Bosch opened a new research campus in Renningen, Germany to enhance the group’s innovative strength. Moreover, the group has a robust patent portfolio. In FY2014, the group applied for 4,600 patents. Thus, the group's strong focus on innovations allows it to uphold the technological leadership in most of its product segments. It also enables the group to develop innovative products, leading to strong sales.

Geographic diversification

The group has geographically diversified revenues, which reduce its business risks and also enable it to take advantage of opportunities arising in emerging markets. Bosch operates on a global scale and operates in more than 150 countries across the world. The group comprises about 340 subsidiaries and regional companies in 50 countries. In addition, the group is represented in around 150 countries through its sales and service partners. In addition, the group has a diversified geographic spread. In FY2014, its largest geographic market, Germany, accounted for 22.2% of its total revenues in FY2014, followed by the US (15%), China (13%), the UK (4.7%), and France (4.5%), followed by Japan (4%), and Italy (3.7%). In addition, other European countries accounted for 18.1%, followed by Asia (excluding China and Japan) (8.1%), Americas (excluding the US) (5.3%), and other regions (1.4%).

Thus, the group's geographic diversification reduces business risks and also enables it to take advantage of opportunities arising in emerging markets.

Weaknesses

Overdependence on a single segment

Bosch is highly dependent on the mobility solutions segment for majority of its revenues. For instance, during FY2014, the group generated 68.1% of its total revenues from the mobility solutions segment, whereas the remaining segments, including industrial technology accounted for 13.7%, followed by the energy and building technology (9.5%) consumer goods (8.5%), and other business (0.2%). Due to the group's higher dependence in automotive technology, any headwind in automotive industry could adversely impact the group's financial performance. Therefore, overdependence in a single industry for a majority of revenues could amplify business risks.

Frequent strikes by workforce unions

Bosch faces production interruptions due to strikes by workforce unions in its various factory locations worldwide. For instance, during August 2014, workmen at the group's subsidiary in Jaipur, India restored to an illegal tool down. Efforts were made to resolve the matter with the union. Similar strikes were noticed at the group's plant in Bangalore, India, during November 2014. Further in March 2015, the labor union of the group's Jaipur plant called for a 'one-day strike' in connection with the ongoing wage settlement. Due to the lack of consensus among various factions of the workmen union, these proceedings did not result in a mutually agreeable resolution. Thus, such strikes and work interruptions by the workforce unions could negatively impact the group's operations, impacting its overall sales and reputation

Opportunities

Increasing adoption of electromobility in Germany could drive growth

As part of environmental and technology leadership vision, Germany has set itself the goal of becoming the leading provider of electric mobility by 2020. Germany's National Electromobility Development Plan aims to achieve one million electric vehicles on the road by 2020. The National Electromobility Development Plan includes more than E500 million ($664.3 million) in incentives for the development of vehicles, energy storage devices and infrastructure. This figure has subsequently been increased by a further E1 billion ($1.3 billion) as part of the government's Electromobility program. Bosch has been focusing on the electromobility market to enhance its revenues. For instance, Bosch is lending its support to the first series production projects such as the Fiat 500e, and is also manufacturing components for advanced plug-in hybrid drives for Porsche and other automakers. Bosch supplies the electric motor, the power electronics, and the battery for the Fiat 500e. In addition, the group announced plans to invest approximately E400 million ($531.4 million) on electromobility R&D each year.

Furthermore, the group covers the complete value chain of the electrical powertrains markets, including battery, power electronics, and various types of electric machines through to extensive systems integration expertise. Thus, the group's focus on electromobility is expected to provide incremental growth opportunities to enhance its revenues and market share in the coming periods.

Growing global automotive manufacturing industry

The global automotive manufacturing industry has produced relatively consistent levels of growth overall the past few years. The industry is expected to continue to grow positively till 2019. According to MarketLine, the global automotive manufacturing industry generated $1,214.3 billion in 2014, representing a compound annual growth rate (CAGR) of 5.4% between 2010 and 2014. Furthermore, the industry is expected to grow at a CAGR of 5.4% for the 2014-18 periods to reach a value of approximately $1,577.1 billion in 2019. In addition, the volume is expected to rise to 189 million units by the end of 2019, representing a CAGR of 4.8% for the 2014-19 periods.

Bosch has a robust presence in the automotive industry. The group is engaged in the design, development and manufacturing of fuel injection technology for internal-combustion engines, and networked powertrain peripherals. Therefore, the growing automotive manufacturing industry provides incremental growth opportunities for Bosch to boost its topline performance.

Strategic acquisitions and joint ventures

The group in recent years has acquired a few companies and has entered into joint ventures with companies. For instance in January 2015, the group completed the acquisition of Siemens's 50% share in BSH Bosch und Siemens Hausgerate. In February 2015, Bosch Packaging Technology planned to acquire Osgood Industries. In the same month, Bosch Software Innovations, a wholly-owned subsidiary of the group, planned to acquire ProSyst. In September 2015, Bosch Packaging Technology planned to acquire Kliklok-Woodman Corporation, based in Georgia, the US.

Further in March 2015, Bosch Thermotechnology, and Midea Commercial Air-Conditioner Division planned to establish a joint venture that will manufacture variable refrigerant flow (VRF) systems in China for the global HVAC (heating, ventilation, and air-conditioning) market. In July 2015, Bosch expanded its business in South Korea by entering into a joint venture with the wiper manufacturer Kyung Chang Wiper (KCW). Thus such acquisitions and joint ventures will help Bosch increase its market share and also help the company increase its topline revenue.

Threats

Competitive pressures

The automotive component supply industry is highly competitive, both domestically and internationally. Competition in this industry is based primarily on price, technology, quality, delivery and overall customer service. Bosch competes worldwide with a number of other manufacturers and distributors that produce and sell similar products. These competitors include Delphi, Denso, Continental, Mahle, Federal-Mogul, Johnson Controls, Magna International, Valeo, Visteon, along with a number of other European and non-European suppliers. Many of these competitors operate with lower overall cost structures, which are more flexible than the cost structure of the group. Further, the trend of consolidation among worldwide suppliers is expected to continue as suppliers seek to achieve operating synergies and streamline efficiencies through business combinations. Additionally, vehicle manufacturers are experiencing rapid consolidation, which affects customer/supplier relationships and provides opportunities and risks, as suppliers attempt to secure global supply contracts across broader vehicle platforms. Thus, competitive pressures from global and regional parts manufacturers, and industry consolidation could force the group to reduce prices, which could strain its margins.

Fluctuations in currency exchange rates

Bosch has worldwide operations. Its businesses are conducted in a variety of currencies, from which currency risks arise. The group generates a large portion of its revenues from markets outside Europe. Since a significant portion of the group revenues are generated outside the Euro currency region and the procurement of production material and funding are also organized on a worldwide basis, the currency risk is an important factor for Bosch earnings. Any changes in demand and refinancing conditions, fluctuations in exchange rates have a significant impact on the group's earnings. A 10% increase or decrease in Euro against the Chinese Renminbi during FY2014 would have increased or decreased the group's profit before tax by E37 million ($49.2 million). Moreover, a 10% increase or decrease in the US Dollar against Chinese Renminbi would have decreased or increased Bosch's profit before tax by E27 million ($35.9 million).

The value of the group's equity investment in foreign countries may fluctuate based upon changes in foreign currency exchange rates. These fluctuations, which are recorded in a cumulative translation adjustment account, may result in losses in the event a foreign subsidiary is sold or closed at a time when the foreign currency is weaker than when the group initially invested in the country. Thus, any unfavorable change in the exchange rate of other currencies would have an adverse impact on the profitability of the group.