

Synchronizing the Mobility Transformation

Introductions

For those who do not know me, I am **Milan Stevanovich**. For over 30 years, I've been an entrepreneur working in hospitality, lifestyle, entertainment, software, finance, technology, and international business. The past 3 years, I've been working closely with the Detroit Chinese Business Association to showcase and highlight Michigan's assets and opportunities to government and business leaders from China and from out-of-state. Currently, I'm working on my 4th Chinese New Year Gala with the Governor's office.



I'm collaborating closely with my good friend, **Jim Cook**, a mathematician who began as a Research Engineer at MIT's Aero & Astro Department, and who subsequently became VP/CTO of a high tech *Fortune* 500 Company. He was also VP/Engineering for the first Commercial Autonomous Robot venture (it inspired *RoboCop*). Jim headed Exxon's venture in speech recognition, Verbex, which is the foundation of Siri, today. In 1983, he IPOed (on the NASDAQ National List) his own high tech venture. Afterwards, Jim consulted on "Step Change" for three years for MIT's legendary "Zero Stage" high tech investor, professor Ed Roberts to: AT&T, Dun & Bradstreet, Motorola (on VC), including Fiat (in Torino). Jim has a Harvard Business School case about his "Step Change" at DuPont; and he chaired the Beijing conference, "*Bridging the Cultural Gap - Key to Success.*" Throughout his career, he hobnobbed with the world's Best and Brightest in Cambridge, New York, Beijing, and elsewhere.



Bill Ford, visionary who designed the Mobility Blueprint in 2012

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"The way people move, the way goods move, the way health care is delivered ... is going to change in a very short period of time.

... automakers face a stark choice -- either join the (new, mobility) game, or face the prospect of being left behind."

Bill Ford argues that Detroit automakers and the region can and should emerge as leaders as the industry is reshaped.

Bill Ford said that even at Ford, they're having trouble instilling the bravery and risk-taking in managers and executives called for by the new mobility game.



The quotes are from Bill Ford's Keynote address (as reported by *Detroit Free Press*, May 23, 2016)

The case for Synchronizing the Mobility Transformation

Traditionally (up to today) we provided vehicles that enabled owners of those vehicles to solve their transportation needs by doing it themselves.

In Mobility, consumers (mostly the Public) solve their transportation needs automatically by communicating, mostly within minutes, of their needs.

Consumers are free to pick and choose on a moment's notice (traditionally, fixed years in advance by buying) through an App, much like picking a video.

Like a video, it's hard to know which will go viral and which will be a dud. Furthermore, first the investment, then the launch, and then the reward.

And, to make a go of it, all involved must "chip in" and share in the delayed reward, if any. It's different than volume guarantees with unit dependencies.

How will the Mobility Ecosystem differ from Traditional?

Our Ecosystem needs to be a “Hollywood Model with Detroit Characteristics!”

Our technology is not all physics and engineering driven, but rather a high measure of psychologically driven drama, delight, and marketing, as well.

Our developers often are in “production houses” of creative subcontractors.

OEM production may be disbursed locally made possible by 3D printing.

Our investment will be highly speculative and volumes highly uncertain, but for winners, our rewards will be spectacular: Apple, Google, FB – like.

However, Mobility success requires that all players be “on the same page” or else a debilitating friction will render Greater Detroit uncompetitive in Mobility!

That “same page” requires a new business model and culture

Traditional Automotive Business Development Sequence:

Requirement → Plan → Budget → Design for Price/Performance → Launch → Promote → Improve → Evolve → Promote → Cost Cut → Compete → Price Cut → Volume Losses → Financial Losses → Withdraw/Repeat

Mostly promotion, improvement, and ongoing financial management ending in withdrawal. Not much risk taking.

Mobility Business Development Sequence:

Identify Service → Invest → Design for EASE → Invest → Launch → Invest → Gain Popularity → Achieve CRITICAL MASS → Invest for Network Effects' compounding → Top 5 → Invest → Top 2 → Use Profit to EXPAND

Investment and concern for Ease, Popularity, and action with much less financial management. A lot of risk taking.

MI's Automotive Success is the result of being conservative, but Mobility requires brave (Bill Ford's word) initiatives!

We, Milan and Jim, are proposing a regional **Intervention** with a large dose of **Shock** and **Awe** to kick off awareness, conversations, and actions reinforcing of the imperatives of Mobility success to synchronize the Region's success.

Intervention with Shock and Awe

Intervention: **Urgent, critical need to change cultural behaviors**

Alan Mulally from outside the industry did just that for Ford.

Shock: **The message will shake Companies and Careers!**

Business as usual is not an option. Join or fade away.

Awe: **The stature of the Messengers – Nobel Prize prospects**

Disables dismissive past-preservers and incrementalists.

What's at stake? [CA=(Tesla+Apple+Google)/3; MI=(Ford+GM)/2]

	CALIFORNIA	MICHIGAN	ratio	interpretation
			<small>note: weighted by sales where appropriate</small>	
Founding	1992/CA	1906/MI	N/A	MI is traditional
Age as of 2017	25 yrs.	112 yrs.	0.22	CA is contemporary
Trailing 12 Mos. Sales	\$ 102.4 B	\$ 157.7 B	0.65	CA sells 2/3 of MI
Trailing 12 Mos. Earnings	\$ 21.30 B	\$ 10.6 B	2.02	CA only 2.0 * MI
Current Market Cap	\$ 409.0 B	\$ 52.8 B	7.74	CA is 8 times MI !
Net Profit Margin	20.8 %	6.7 %	3.11	CA is 3 times MI !
Trailing 12 Mos. P/S	4.00	0.33	11.93	Recognition is on Sales!
Trailing 12 Mos. P/E	19.21	5.00	3.84	CA is 3.8 times MI !
Annualized Growth	4.1 %	2.5 %	1.64	CA is 1.6 times MI !
Cash-on-Hand	\$ 51.34 B	\$ 20.3 B	2.53	<small>note: without Apple's 9% contraction, CA Annualized Growth is 14 times MI</small>
5 Yr. Stock CAGR	33.4 %	12.1 %	2.76	CA is 2.8 times MI !

If Ford and GM got CA's P/S ratio for Market Capitalization, MI would have a \$1.2 Trillion NET windfall!
 Absent MI Synchronizing its Mobility Transformation, CA could become the Mobility capital instead!

MORNING SESSIONS (FOCUS AND TAKEAWAYS)

- 1. Theme: Succeeding at Complexity!**
Keynote introducing Complexity versus Simplicity
Predictability is dead; Volatility is everywhere (giant success or failure ... time will tell)
Bravery is required; missteps are the new rule
- 2. Culture: The Michigan Auto Ecosystem needs Co-Opetition**
Synchronized Cooperation amongst Competitors for a bigger pie
- 3. Financing: Focus on explosive growth potential, not recent earnings**
Perform to hyper-growth and hyper-earnings will follow (due to high contribution margins)
The reward will be market capitalizations that are high multiples of investment
- 4. Marketing: Winner takes all after critical mass engages network effects**
Begin with using technology to make the mundane incredibly easy (and cheaper)
Shoot for critical mass (whereupon network effects generate exponential growth)

AFTERNOON SESSIONS (FOCUS AND TAKEAWAYS)

- 5. Technology: Ease is king; viral is queen; the empire is the globe**
The context determines your opportunity, not things controllable
Ultimate ease exploits artificial intelligence, big live data, psychology (and luck)
- 6. How & Why: Social network interactions replace organized activity**
Keys are: ubiquity of connections and knowledge of context and desires
- 7. Future quake: Trillions of revenues with exceptionally high margins**
Mind replaces matter, value replaces wages, action replaces planning
Local moments drive global systems, consumers activate demand
- 8. Next week: Begin retooling your basic business assumptions**
Don't wait for ideas with universal appeal to be predictable, too late
Jolt your company's management to consider 10-100x near term growth

The Compelling need for our Intervention Conference

- a. The Automotive Market is becoming the Mobility Market and execs aren't ready!
- b. Mobility will encompass a major portion of Greater Detroit's economy in ten years
- c. Mobility requires many resources that Greater Detroit already has and leads the world in
- d. The Mobility Market is profoundly different and requires new world business model views
- e. The Mobility Market has many new components that abide by Complexity Theory
- f. The Mobility Market's complexity components are largely triggered by Apps
- g. As Uber has already shown, the owner of the App controls the Mobility value chain
- h. Therefore, Greater Detroit has to gain economic advantage by owning Mobility Apps
- i. Silicon Valley (and Pittsburgh?) is challenging Greater Detroit in Mobility Apps
- j. Concentrating on vehicles and not on App ownership will yield Mobility Foxconn's
- k. Concentrating on App ownership will yield margins and wealth like Apple and Google
- l. To be the Mobility App capital takes immersion into the new ways of complexity.

The Rationale Behind our Design Strategy (enable synergies to prevail!)

The organizing principles of our design are derived from Machiavelli's counsel to The Prince:

There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things.

For the reformer has enemies in all those who profit by the old order, and only lukewarm defenders in all those who would profit by the new order, this luke-warmness arising partly from fear of their adversaries ... and partly from the incredulity of mankind, who do not truly believe in anything new until they have had actual experience of it.

Accordingly, we have adopted the following strategies:

- Other than the Big 3, avoid local sponsors, as they're apt to, even unintentionally, create conflicts of interest, promote agendas, or taint critical points in actuality and/or attendees' minds.
- Avoid local speakers, as they could be intellectually corrupted by residual interests.
- Solicit World Class intellectuals who have primary interests elsewhere and impressive works.
- Solicit Michigan advocates who are "above the fray" AND devoted to Michigan's interests (in particular we will reach out to: Bill Ford, Mary Barra, Carl Levin, and Governor Snyder)
- Have such speakers and content that it is newsworthy (and beneficial to and) far beyond Michigan

THANK YOU!

(We would like to hear from you :)



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APPENDICIES:

- a) **CA versus MI data: Tesla, Ford, GM, Google, and Apple**
- b) **“A Revolution is Coming!” It’s Urban Car Ownership!**
- c) **Side-by-Side Comparison of Uber and Lyft for 2014-2016**
- d) **Financing Stats in Ride Sharing Market incl. Market Capitalizations**
- e) **Overview of Lyft’s Financings 2007-2015 incl. Per Share Stock Pricing**
- f) **How will the eventual Ride Sharing leaders succeed?**
- g) **Why is Ride Sharing vital to Greater Detroit (and visa-versa)?**
- h) **Jim Cook and his wife, Julie, have resided in Dearborn for a decade.**

California Companies versus Michigan Companies

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	TESLA	FORD	GM	Google	APPLE
Founding	2003/CA	1903/MI	1908/MI	1998/CA	1976/CA
Age as of 2017	14 yrs.	114 yrs.	109 yrs.	19 yrs.	41 yrs.
Trailing 12 Mos. Sales	\$ 5.9 B	\$ 153 B	\$ 162 B	\$ 86 B	\$ 216 B
Trailing 12 Mos. Earnings	\$ -.87 B	\$ 7.3 B	\$ 13.9 B	\$ 19.1 B	\$ 45.7 B
Current Market Cap	\$ 36.8 B	\$ 50.7 B	\$ 55.0 B	\$ 561.4 B	\$ 628.7 B
Net Profit Margin	-14.7 %	4.7 %	8.6 %	22.3 %	21.2 %
Trailing 12 Mos. P/S	6.21	0.33	0.34	6.56	2.92
Trailing 12 Mos. P/E	Negative not meaningful	6.99	3.96	29.44	13.76
Annualized Growth	145.4 %	-5.8 %	10.3 %	27.2 %	-9.0 %
Cash-on-Hand	\$ 3.08 B	\$ 19.1 B	\$ 21.5 B	\$ 83.1 B	\$ 67.9 B
5 Yr. Stock CAGR	53.5 %	1.7 %	22.5 %	31.2 %	15.4 %

“A Revolution is Coming!” It’s Urban Car Ownership!

Age of APPs Acceptance

Apps used globally by >10^{^9}; Investments>>\$10^{^10}

↑2015,↔2020,↓2025

Globally billions of urban riders using apps to summon rides from hundreds of millions of drivers. This begins with an excess of startups and an abundance of risk capital from professional venture funds and companies, especially OEMs, wishing to thrive in the later stages through relationships acquired early. Mkt caps >10x revenues at times in the Up Trend.

Age of APPs Leasing

App cos commoditizing OEMs with buying power

↑2017,↔2022,↓2027

The surviving half-dozen global ride sharing App ventures ("APPs") exist due to consolidation and partnerships. APPs, through partnerships with major automobile manufacturers ("OEMs"), begin securing leases/rentals for drivers. This increases the APPs buying power (which is why OEMs have invested for a big stake).

Age of APPs Owning

Driverless <20mph e-cars, marginalizing OEMs

↑2022,↔2030,↓2040

Driverless cars welcome in congested and polluted cities. Now, APPs buy driverless cars directly to offer ridership to Public bypassing drivers. These driverless cars are all electric, able to seek charging pods, and are limited to 20 or so mph. These cars do not have the safety structures nor weight nor individualization of today’s cars, so are cheaper.

Age of APPs Franchising

“McDonalds” with regional kitting & local assembly

↑2030,↔2050,↓21??

The physical aspects of ride sharing handled by local franchises with high margins for APPs. This McDonalds-like market has kits at regional APP distribution centers which prepare kits for their local franchisees who will assemble into cars. Local franchisees load worn and broken cars onto a truck that shuttles to the APPs regional distribution center.

“APPs” stands for “Companies offering Ride-Sharing Apps” for example, Uber and Lyft.

Side-by-Side Comparison for 2014-2016



	Cities in USA	Cities Outside	Countries Outside	Rides in millions (estimated)			Growth (estimated)		Losses in millions
				2014	2015	2016	2015	2016	
Uber	150	300+	60	140	600	3,000	442%	140%	\$470
Lyft	65	0	0	1	90	205	140%	125%	\$50
Uber	Strategy:	Global; shun alliances/partnerships with locals; diverse offerings; 80/20% split; driver signing bonus							
Lyft	Strategy:	Global using cross-alliances; focused offerings; 80%/20% split; driver signing bonus; friendly & open							
Uber	Risks:	Regulatory constraints in markets; diversion from ride sharing; law suits; leadership complacency							
Lyft	Risks:	Sub-critical mass of riders; late arrival in global markets; capital markets dry up; margin squeeze							

Financing Stats in Ride Sharing Market

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Company (Target)	Revenues	Last VC round	Lead Investors	Market Cap	Growth Rate	Founded
Uber (Global)	\$2,000	\$1,000	Microsoft, Baidu, Tata	\$51,000	400 %	2009
Lyft (USA)	\$125	\$1,000	Rakuten, Didi Kuaidi, Carl Icahn, General Motors, "Ford"	\$5,500	150 %	2012
Didi Kuaidi (China)	\$450	\$3,000	CnIF, Alibaba, Tencent, Ping An, Coatue, Capital International PEF	\$16,500	1,400 %	2015
Ola (India)	\$400 + \$500	\$310	DST Global, Ratan Tata, Falcon Edge (NYC)	\$2,300	200 %	2010
GrabTaxi (SE Asia)	\$340	\$200	Kuaidi, Softbank, Temasek, Alibaba, CnIF, Coatue, GCV	\$1,500	233 %	2011
BlaBlaCar (EU, Global)	\$72	\$200	Insight Venture, Lead Edge, Vostok New Ventures	\$1,500	140 %	2007

Dollar amounts are in US millions

Overview of Lyft's Financings 2007-2015

Series	Date Announced	Funds Raised	Capitalization Post-investment	Dilution	Per Share	CMGR	Rides per month	Net Revenue Annualized	
F	2015.12	\$ 1,000	\$5,500	22.2%	\$ 14.539	1.822%	10,645,023	\$ 405	
E2	2015.05	\$ 150	\$3,966	3.9%	\$ 12.812	1.822%	2,827,056	\$ 93	
E1	2015.03	\$ 530	\$3,275	19.3%	\$ 12.358	1.822%	1,935,605	\$ 21	
D	2014.04	\$ 250	\$2,250	12.5%	\$ 10.132	8.224%	240,973	\$ 5.0	
C	2013.05	\$ 60.0	\$360	20.0%	\$ 4.247	8.224%	30,000	\$ 1.1	
B	2013.01	\$ 15.0	\$141	11.9%	\$ 3.096	8.224%	6,912	\$ 0.3	
A	2011.09	\$ 6.0	\$58.7	11.4%	\$ 0.874	8.224%	0	\$ 0.0	
Seed2	2010.08	\$ 1.2	\$23.3	5.4%	\$ 0.313	8.224%	0	\$ 0.0	
Seed1	2009.06	\$ 0.3	\$9.6	3.2%	\$ 0.103	8.224%	0	\$ 0.0	
Founders	2007.04 est.	\$0.10	\$0.1	100.0 % est.	\$ 0.013	8.224%	0	\$ 0.0	
		\$ 2,013 = Total Capital Raised						20.85% CMGR	doubles in 3.7 mo
Color Keys:		Dollar amounts, except Per Share, are in millions							
= Data is Good		= Data is consistent and useful; Public data is inconsistent							

How will the eventual Ride Sharing's leaders succeed?

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As with Henry Ford (HF), it takes tremendous competence to get to lead a market

As with HF, competence in: design, operations, execution, and clever media/narratives

These accomplishments are required for the Ride Sharing Market success:

- Hundreds of millions of users to actively use the service

- Hundreds of thousands of qualified and actively engaged drivers on call

- Running web services with thousands connecting to thousands at any moment

- Manage localization issues of language, currency, culture, and regulations

- Scale the business to blanket the globe wherever feasible

Why is Ride Sharing vital to Greater Detroit?

Benefits to Greater Detroit:

- Sustain Greater Detroit as Original, Past, Present, and Future Automotive Capital of the World (not Silicon Valley or CA)
- Reinforced as software haven for young programmers (without the housing and commuting costs of Silicon Valley)
- Reinforced as venture haven with talent, financing, and support striving to match Silicon Valley
- Positioned as a, if not the, leading city for the integration, automation, and innovation for modern urban mobility
- Chance to reinvigorate Southeast Michigan with hundreds of billions of value for its tax and opportunity bases

Benefits to the Auto Industry:

- Local access to the revolution in Automotive production, distribution/service, usage, and ownership
- Inside track on urban mobility and its emerging autonomous car market and changing usage patterns
- Inside track to the potentially revolutionary changes that may occur in the Automotive supply chain
- Chance to bring hundreds of billions of value, again, to the industry globally by being current regarding changes

Benefits to the Ridesharing Companies attracted:

- Chance to be supported by the industry on which Ride Sharing depends
- Chance to learn what is happening in pivotal technologies that enable driverless cars
- Chance to be a hero to the region (which they would share in a small way in Silicon Valley)

Jim Cook and his wife, Julie



Above: Michigan's Far East Consular Corps Meeting at the Governor's home prior to his Far East Trade Mission (2013).



Julie and the Governor, Hon. Richard Snyder.



Right: Jim and Julie with the venerable, retired Senator, Hon. Carl Levin, from Michigan (1979-2015) and supporter.