Executive Summary

Our Understanding

Market Trends
We understand the market trends facing Industrial Products companies. We have had a dedicated industry practice since 1996, serving a customer base that includes over 90% of the industrial products companies in the Forbes Global 2000. We see the challenges posed by:

✓ Increasingly well-informed and demanding customers;
✓ Complex sales and service channels;
✓ Global fluctuation in demand and commodity pricing;
✓ Increasingly complex environmental and financial regulations;
✓ Transformation from product suppliers to turnkey solution providers;
✓ The Internet-of-Things’ impact on plant and field operations; and
✓ Ongoing consolidation in a relatively fragmented market.

We are working with our customers on a variety of fronts to meet and defeat these challenges. In fact, we view these challenges not so much as obstacles to be overcome, but rather as opportunities to differentiate.

The Gates Advantage
Gates also recognizes these challenges and has embarked on a transformational effort to capitalize on the opportunities presented. At the core of this effort is Gates’ intent to leverage ‘The Gates Advantage.’ That advantage starts with three significant strengths. The first is a premier global brand – highly-engineered products at premium prices. The second is market leadership – Gates is the market leader in over 50% of their targeted end markets, and occupies one of the top three spots in nearly 90% or those markets. The third is a culture of continuous improvement – dedicated and experienced employees that are always looking for better ways of doing things. These strengths will be leveraged to enhance both growth and margin performance.

Strategic Initiatives
Growth initiatives include:

✓ Continued expansion of existing industrial markets – leveraging brand, portfolio and capabilities;
✓ New product innovation – expanding market share and creating new market opportunities; and
✓ Taking advantage of a long-standing presence in key emerging markets.

Margin performance initiatives include:

✓ Continued emphasis on high-quality products that command premium prices;
✓ Further enhancement of lean operating models;
✓ Optimizing value of low-cost footprint (production in low-cost regions close to demand); and
✓ Extension of capital-light business model to enable growth and operational flexibility.

One Gates Program

To accomplish all of this, Gates has initiated the One Gates program. The intent of this program is to provide standard processes, data integrity and technical capability on a global basis. Three specific objectives are envisaged:

✓ A flexible operating model;
✓ Efficient processes; and
✓ Effective control.

Global ERP Package

The program consists of four major projects, one of which is the Global ERP Package. The scope of this project is to, over time, replace 25+ existing ERP and financial management systems with an integrated, global enterprise management system capable of supporting Gates’ operations and performance objectives for many years to come. With that in mind, we have defined, and are proud to propose, the SAP Solution.

The SAP Solution

S/4HANA

SAP is revolutionizing business by enabling organizations to digitize their enterprise, end to end. S/4HANA will serve as the enterprise resource planning foundation of Gates, harmonizing processes and data across SAP and non-SAP systems, throughout all lines of business. Gates’s core business processes will be positioned to lead the company into the next chapter of its long history as the world’s leading manufacturer of power transmission belts and a premier global manufacturer of fluid power products.

S/4HANA is the next generation business suite, a foundation for digital transformation that brings several unique capabilities to Gates.
Characteristics

S/4HANA has three defining characteristics crucial for Gates’ business success: it is integrated, agile and simple. It will enable a new set of business norms – a new way of operating.

Integrated

Integration enables implementation of global standards, based on best practices. Reduced costs, enhanced control and, most importantly, real-time processing become the norm. Real-time processing allows you to act in the moment. Changing conditions – market demand, production schedules, service issues – are rapidly identified and addressed. Connected business networks provide access to internal and external information for more effective decision-making and widespread collaboration. Your team is focused on proactive business optimization rather than transaction processing and discrepancy resolution.

Agile

You are able to enter new markets, acquire and onboard new companies, or reflect organizational changes in a fraction of the time it took before. Business processes based on industry best practices, implemented in conjunction with new technology, enable rapid assimilation of change to allow your team to stay focused on optimizing business results. Advanced analytics, with simulation capabilities and predictive models, means you have unprecedented ability to consider the impact of alternate paths. Continuous improvement, unplanned issues, and unexpected opportunities are all handled with equal dexterity.

Simple

Simplified processes and interactions allow your organization to focus on business optimization, leveraging information to satisfy customers and grow the business. Transparency permeates your organization. Plans, results, issues, options and opportunities – all available for analysis and action. Nowhere is this more apparent than in the boardroom. Senior executives can see what is happening throughout the company. They can derive insight and take action. Strategic leadership is real, and it is the norm.
## Business Benefits

### One Gates Objective

<table>
<thead>
<tr>
<th>Operating Model Enablement</th>
<th>SAP Solution Capabilities</th>
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<tbody>
<tr>
<td>✓ Global standards</td>
<td>S/4HANA is an integrated solution that, through implementation of global standards, allows regional flexibility to respond to market conditions while retaining the advantages of a global enterprise. A cloud-based infrastructure extends these advantages. This approach enables regional agility with centralized economies of scale.</td>
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<tr>
<td>✓ Regional execution</td>
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<td>✓ Ability to scale operations (up and down)</td>
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<td>✓ Multi-function shared services</td>
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<tr>
<td>Process standards and excellence</td>
<td>S/4HANA is based on business and industry-specific best practices. This approach allows an organization to focus on market differentiators, such as product and go-to-market strategies, rather than customization of general business processes. The focus is on visibility, efficiency, and actionable insight.</td>
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<td>✓ Leading-practices based</td>
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<td>✓ Leverages standard (out of the box) functionality (minimizing the need for customizations)</td>
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<td>✓ Fulfillment improvement and improved inventory visibility</td>
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<tr>
<td>Control and compliance</td>
<td>S/4HANA is the next generation business suite, an evolution of SAP’s proven ERP capabilities, delivered with the most modern technologies to support digital business. A cloud-based infrastructure, built upon exacting security standards, provides an extra measure of stability and access. Again, the focus is on visibility, efficiency, and actionable insight.</td>
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<tr>
<td>✓ Secure, reliable, and stable systems</td>
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<td>✓ Standard financial policies processes, and reports</td>
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<tr>
<td>✓ Improved operational visibility</td>
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<td>✓ Improved managerial reporting</td>
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### Why SAP?

#### Industry Expertise

The Industrial Products industry is an important part of our business. It represents nearly 5% of our worldwide revenue. We have had a dedicated industry practice for 20 years, with global Industry Business Unit professionals and Industry Advisors working with our customers to grow their businesses.

Working with over 7,000 customers, we have captured industry best practices and embedded them in S/4HANA. Our industry team also works closely with teams serving parallel industries to assess similar requirements in a cross-learning effort. We do this to bring innovative techniques and proven processes to our entire customer base. The reward is apparent, as over 90% of the industrial products companies in the Forbes Global 2000 depend on SAP to help them run, and grow, their businesses.

#### A Long-Term Solution
S/4 HANA is the foundation for digital transformation. The digital core provides base enterprise resource planning capabilities and serves as the platform to connect all aspects of the value network. Beyond the digital core, S/4 HANA can be extended, according to business needs and priorities, to provide advanced capabilities in:

- Finance
- Human Resources
- Manufacturing
- Supply Chain Management
- Sourcing and Procurement
- Marketing, Sales and Service
- Asset Management
- Research and Development

Gates can implement the digital core, extended to provide advanced capabilities in finance, sourcing and procurement, manufacturing, and marketing and sales to meet the initial objectives of the One Gates program. Further extensions can be implemented over time to meet additional challenges as Gates continues to grow. In short, this is the beginning of the digital transformation. As Gates builds their digital enterprise – a smarter, faster, simpler enterprise – S/4HANA will connect all elements of the value network.

**Workforce Engagement** … to retain and grow existing talent, attract new talent, and preserve enterprise intelligence with a motivated, engaged workforce.

**Ecosystem Collaboration** … through business networks to mitigate supply risk, accelerate growth, and help ensure global compliance while maximizing product availability and margin.

**Customer Experience** … omni-channel experiences to reach, engage and serve customers with timely, tailored, relevant information and offers.

**Assets and Internet-of-Things** … IoT and Big Data, combining internal and external information to manage assets and monitor market and consumer demand.

**Partnership Approach**

We understand the industry and have the best solution, but that isn’t enough. Business success is a team effort. We know that. We are committed to our customers’ success, because their success is our success. We are partners.

Our partnership approach has three main tenets:

- Value Assurance;
- A Chief Customer Office; and
✓ A Governance Model.

Value Assurance

Gates is embarking on more than implementation of new enterprise resource planning capabilities. You will transform the company into a true digital enterprise. SAP will be with you every step of the way.

We work with you to understand, and ultimately help enable, your strategy and strategic priorities. We help you identify the most promising opportunities, and we work with you to schedule and justify solution implementation. Most importantly, we focus on value realization – not just identifying potential value, but rather helping you develop specific targets and management techniques to actually realize anticipated value.

The five steps of the SAP Collaborative Value and Innovation Framework:

1. **Strategy Alignment** … Confirm Gates’ strategy and strategic priorities.
2. **Opportunities Assessment** … Identify opportunities and prioritize based on value.
3. **Solution Roadmap & ROI** … Define solutions, determine comprehensive return on investment, and develop an overall roadmap.
4. **Value Realization** … Determine specific targets and define management techniques to actually realize value.
5. **Governance** … Establish the executive engagement, oversight, management processes, and continuous innovation necessary to ensure success of the effort.

Chief Customer Office

SAP’s Chief Customer Office works with customers on an on-going basis to help:

✓ Build SAP application and best practices knowledge;
✓ Assimilate into the SAP community;
✓ Establish a related value management program; and
✓ Ensure availability of appropriate SAP support.

Governance Model
We recommend a three-tier governance model, with appropriate participation from Gates and SAP at each level. Convening periodically, each tier deals with progressively more complex topics. Progress is achieved, risk is managed, and relationships are strengthened.

This approach has proven effective by providing both the near-term agility and long-term strategic direction necessary for successful transformation.

**The End in Mind**

Ultimately, the goal is to maximize Gates’ market valuation. Achieving this goal requires solid vision, innovation, unrelenting focus on the customer, and persistence. It also requires an efficient organization that can compete with the best and provide an environment where its employees can flourish. That is where the One Gates program comes into play.

Transforming ERP means building an integrated, agile, simple environment. An environment that will allow Gates to design effectively, product efficiently, and capture market opportunities. With that comes increased revenues and increased profitability. Growth and profit margin – the two key drivers of valuation. Of course, the transformation will provide an attractive return on investment, but the ultimate goal is increased valuation. We believe Gates is on the right track to solidify its position as the world’s leading manufacturer of power transmission belts and a premier global manufacturer of fluid power products – and, the most valuable.

We are the leading provider of ERP solutions to large, global industrial products companies. We are uniquely positioned to work with Gates through the transformation, and we are passionate about our customers’ success. We appreciate the opportunity to propose our solution and look forward to continuing our relationship with Gates for many years to come.