

Automotive Suppliers M&A & Financial Market Update

H1/2017

M&A among Auto Suppliers picked up notably in Q1/2017

Both the mid-market and mega-suppliers are using M&A to tap growth and answer strategic challenges. In the first half of 2017, around 40% of all deals worldwide were located in Europe, emphasizing the compelling opportunities among the European suppliers, which have excellent longstanding customer relationships, as well as high quality product and technology offerings.

As seen in 2016, software and electronic suppliers are acquiring to strengthen their automotive footprint, and to prepare for the imminent autonomous driving revolution, while Chinese serial acquirers are targeting European assets to expand their geographic footprints.

Key insights:

- M&A activity among Automotive Suppliers is rising: our global sector team has observed a substantial increase in transactions in the first half of 2017 (+6% compared to the previous half year). The M&A market in Q1 was particularly lively, with 59 reported transactions. Deal activity cooled off in Q2, with a total of 43 deals.
- Important catalysts for deals included geographic growth, technology and general consolidation trends. Europe has been the most popular region for acquirers, with around 40% of all M&A transactions, followed by North America (28%) and Asia (27%).
- Corporates remain the key source of demand for Automotive Suppliers – in three out of four deals, strategic buyers have been on the buy-side. From a geographical point of view, the most activity is still occurring in Europe (35% of total deals), followed by Asia (34%) and North America (29%).
- Valuations for listed Automotive Suppliers vary greatly depending on the different segments. Electronics know-how is at the top of buyers' shopping lists. Premium valuations are also being paid for well diversified suppliers that have significant cross-sector competencies and customer relationships.
- While the average valuation for the sector is 6.3x EBITDA, Control and Electronic companies are being valued at 7.1x EBITDA, and Diversified Suppliers at 7.7x EBITDA.



Ferdinand Robert Schulhauser
Partner

"The Auto Suppliers market is dynamic in more ways than one. We are witnessing consolidation as mid-market players look to improve their scale and global footprints. Client relations and sector knowledge have also become important catalysts for deals – especially for software and electronic players who are preparing themselves for the self-driving era."

Trading multiples by segment

At the end of H1, listed Automotive Suppliers were valued at 6.3x EBITDA, on average.

Profitability, sales growth and innovation are driving valuations. There are considerable differences due to the heterogeneity of the Automotive Supplier landscape – products and technology offerings vary widely, which in turn is affecting sales growth and profitability levels. (See the valuation tables below)

While the highly profitable Control / Electronics players are valued well above the sector average, other segments such as Engine components and Interior / Exterior equipment are lagging well behind their auto peers – either because margins are under pressure or investors don't believe in the long-term business potential.

Chassis / Underbody: 6.3x EBITDA

Chassis/Underbody	EV (in €m)	Sales CAGR 2014 / 2017e	EBITDA margin			EV / Sales			EV / EBITDA			EV / EBIT		
			2016	2017e	2018e	2016	2017e	2018e	2016	2017e	2018e	2016	2017e	2018e
Akebono Brake Industry Co., Ltd.	1,275	9.3%	3.2%	6.0%	7.9%	0.6x	0.6x	0.6x	18.4x	9.8x	7.8x	-	-	18.2x
American Axle & Manufacturing Holdings, Inc.	2,447	20.3%	15.4%	17.3%	17.3%	0.7x	0.5x	0.4x	4.3x	2.7x	2.4x	6.4x	4.3x	3.8x
Brembo S.p.A.	4,336	11.1%	17.9%	19.4%	19.3%	1.9x	1.7x	1.6x	10.5x	9.0x	8.4x	13.3x	12.3x	11.5x
Dana Incorporated	4,255	1.2%	10.5%	11.4%	11.8%	0.8x	0.8x	0.7x	7.3x	6.6x	6.1x	9.7x	9.7x	8.7x
F-Tech Inc.	764	-	8.6%	-	-	0.5x	-	-	5.8x	-	-	-	-	-
Georg Fischer AG	3,700	3.9%	11.4%	12.0%	12.0%	1.1x	1.0x	1.0x	9.3x	8.7x	8.4x	12.8x	12.3x	11.8x
GKN plc	7,225	7.2%	10.9%	11.3%	11.6%	0.7x	0.7x	0.6x	6.4x	5.8x	5.5x	8.5x	7.6x	7.1x
G-Tekt Corporation	1,048	11.2%	16.2%	0.0%	0.0%	0.6x	0.6x	0.7x	3.7x	-	-	11.5x	8.9x	9.6x
Iochpe-Maxion S.A.	1,297	0.1%	10.8%	11.6%	12.0%	0.7x	0.7x	0.7x	6.1x	6.0x	5.5x	9.3x	9.4x	8.3x
KYB Corporation	1,668	6.2%	8.1%	0.0%	0.0%	0.6x	0.6x	0.6x	7.4x	-	-	13.8x	10.2x	10.8x
Mando Corporation	2,863	5.4%	9.1%	9.2%	9.5%	0.6x	0.6x	0.6x	6.8x	6.8x	6.1x	12.9x	12.3x	10.6x
Martinrea International Inc.	1,055	0.4%	8.5%	9.8%	10.3%	0.4x	0.4x	0.4x	4.4x	4.1x	3.9x	7.6x	6.8x	6.3x
Nexteer Automotive Group Limited	3,541	14.3%	13.4%	15.2%	15.2%	1.0x	1.0x	0.9x	7.3x	6.3x	5.7x	9.1x	8.8x	7.8x
NHK Spring Co., Ltd.	2,007	9.2%	9.2%	10.0%	9.9%	0.4x	0.4x	0.4x	4.4x	3.8x	4.0x	7.2x	6.3x	6.5x
NSK Ltd.	7,053	8.5%	13.2%	11.4%	13.5%	0.9x	0.9x	0.9x	7.0x	7.8x	6.8x	9.5x	12.8x	10.1x
Press Kogyo Co., Ltd.	551	5.5%	9.7%	8.9%	9.0%	0.4x	0.4x	0.4x	3.7x	4.1x	4.3x	7.1x	8.0x	8.1x
Progress Werk Oberkirch AG	277	5.6%	11.0%	11.0%	11.6%	0.7x	0.6x	0.6x	6.1x	5.6x	5.1x	14.0x	12.1x	10.4x
SAF-Holland S.A.	788	4.2%	10.3%	9.6%	10.6%	0.8x	0.7x	0.7x	7.3x	7.5x	6.5x	8.9x	8.7x	7.9x
SHOWA Corporation	638	3.3%	4.9%	0.7%	11.1%	0.3x	0.3x	0.3x	6.4x	-	2.8x	4.8x	-	4.1x
Stabilus S.A.	1,999	21.2%	16.0%	19.3%	19.4%	2.7x	2.2x	2.1x	17.0x	11.5x	10.6x	22.2x	15.5x	14.4x
Tow er International, Inc.	791	3.5%	9.3%	10.8%	11.1%	0.4x	0.5x	0.5x	4.7x	4.3x	4.1x	7.0x	6.9x	6.5x
Unipres Corporation	925	8.7%	12.2%	13.1%	13.4%	0.4x	0.4x	0.4x	3.0x	2.7x	2.8x	5.6x	5.0x	4.9x
High	7,225	21.2%	17.9%	19.4%	19.4%	2.7x	2.2x	2.1x	18.4x	11.5x	10.6x	22.2x	15.5x	18.2x
Mean	2,296	7.6%	10.9%	10.4%	11.3%	0.8x	0.7x	0.7x	7.2x	6.3x	5.6x	10.1x	9.4x	8.9x
Median	1,482	6.2%	10.6%	11.0%	11.6%	0.6x	0.6x	0.6x	6.4x	6.2x	5.5x	9.2x	8.9x	8.3x
Low	277	0.1%	3.2%	0.0%	0.0%	0.3x	0.3x	0.3x	3.0x	2.7x	2.4x	4.8x	4.3x	3.8x

Engine / Under-the-Hood: 5.1x EBITDA

Engine/Under-the-Hood	EV (in €m)	Sales CAGR 2014 / 2017e	EBITDA margin			EV / Sales			EV / EBITDA			EV / EBIT		
			2016	2017e	2018e	2016	2017e	2018e	2016	2017e	2018e	2016	2017e	2018e
Aisan Industry Co., Ltd.	406	7.5%	9.8%	9.5%	9.1%	0.2x	0.2x	0.2x	2.5x	2.5x	2.7x	4.8x	6.0x	5.7x
BorgWarner Inc.	9,543	5.0%	16.7%	17.3%	17.4%	1.1x	1.2x	1.1x	6.7x	6.9x	6.5x	9.1x	9.5x	8.7x
BiringKlinger AG	1,684	7.7%	14.7%	15.5%	16.3%	1.1x	1.0x	1.0x	7.3x	6.6x	6.0x	12.5x	10.9x	9.6x
EXEDY Corporation	1,296	10.1%	14.2%	15.1%	14.4%	0.6x	0.6x	0.6x	4.3x	3.9x	4.2x	8.5x	7.1x	7.8x
Hanon Systems	4,325	2.6%	10.7%	11.6%	11.7%	1.0x	1.0x	0.9x	9.0x	8.4x	7.8x	12.7x	12.0x	11.0x
JTEKT Corporation	5,566	7.1%	10.0%	10.0%	10.4%	0.5x	0.5x	0.5x	5.1x	5.1x	5.2x	8.8x	9.4x	9.2x
Keihin Corporation	820	3.1%	11.5%	13.2%	11.8%	0.3x	0.3x	0.3x	2.7x	2.3x	2.8x	5.9x	3.9x	5.2x
Linamar Corporation	3,516	13.3%	17.2%	16.7%	16.6%	0.8x	0.8x	0.8x	4.8x	4.9x	4.6x	7.2x	7.2x	6.8x
Nemak, S. A. B. de C. V.	3,872	7.3%	17.9%	18.0%	18.5%	1.1x	0.9x	0.9x	5.9x	5.1x	4.7x	9.1x	8.2x	7.6x
Rheinmetall AG	3,771	7.9%	9.7%	10.4%	10.8%	0.7x	0.6x	0.6x	6.9x	6.2x	5.6x	11.1x	9.8x	8.7x
Ryobi Limited	1,104	12.7%	11.2%	12.5%	12.4%	0.6x	0.5x	0.6x	5.0x	4.4x	4.6x	11.9x	11.4x	10.9x
Tenneco Inc.	3,907	4.0%	8.9%	9.9%	10.2%	0.5x	0.5x	0.5x	5.4x	5.1x	4.7x	6.5x	6.7x	6.3x
High	9,543	13.3%	17.9%	18.0%	18.5%	1.1x	1.2x	1.1x	9.0x	8.4x	7.8x	12.7x	12.0x	11.0x
Mean	3,318	7.4%	12.7%	13.3%	13.3%	0.7x	0.7x	0.7x	5.5x	5.1x	4.9x	9.0x	8.5x	8.1x
Median	3,644	7.4%	11.3%	12.8%	12.1%	0.6x	0.6x	0.6x	5.2x	5.1x	4.7x	8.9x	8.8x	8.3x
Low	406	2.6%	8.9%	9.5%	9.1%	0.2x	0.2x	0.2x	2.5x	2.3x	2.7x	4.8x	3.9x	5.2x

Selected credentials in the Automotive sector
(Capitalmind & affiliates)

 acquired 	 sold Texelis to 	 completed a fundraising underwritten by 	 sold Maehler & Kaege to 	TEXELIS completed a fundraising underwritten by  & historical shareholders including 	 acquired 	 was sold to  supported by 
Independent aftermarket spare parts	Axles for railways, metros and military vehicles	Automotive fluids and performance fuels	Electrical connectors, cable & wire harnessing	Axles for railways, metros and military vehicles	Plastic components	Paint coatings
 sold Savatech 	 completed a MBO with the support of 	 was acquired by the management supported by  and 	Strategic review and shareholders exit 	 restructured €300m of debt with    	 Acquired 15 assets for €936 m	 sold  to 
Industrial rubber	System critical electronics	Industrial painting	Paint coatings	Industrial rubber	Automotive parts	Hot and cold forging for automotive spare parts

If you would like to discuss this report in more detail or opportunities for your business, please get in touch



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