



Optimize deals

PwC Deals

Global Automotive M&A Deals Insights Year-end 2016

Executive summary

Global automotive M&A deal value for 2016 was down 34% from a very strong 2015. However, with 583 deals transacted, volumes were only down 1.4% indicating there is still appetite for deal activity in the sector. It is important to note that 2015 megadeal value drove overall deal value highs not seen in the last 15 years. Excluding all megadeals in 2015 and 2016, “non-mega deal value” for 2016 increased 37%.

Despite the overall decline in deal value for 2016, the overall automotive industry remains healthy as global vehicle assembly is expected to grow at a CAGR of 3.1% through 2022.

While 2016 was slightly lower for M&A activity, compared to the record year of activity in 2015, a variety of factors indicate future automotive M&A will likely remain strong, including large cash balances, continued pressure from shareholders and new competitors, increased pace of innovation and the emergence of “AutoTech”. Unlike discussions in prior years around consolidation in the industry, we expect an overall expansion as manufacturers expand into software and services, and as mobility solutions and strategies likely drive an increased number of start-up companies.

In 2016, average global automotive disclosed deal size decreased 46% from \$388 million to \$211 million, primarily driven by a lower number of megadeals (ten deals) compared to 2015 (twelve deals). In 2015 the industry experienced historically high overall deal values with the largest deal being ZF Friedrichshafen AG’s acquisition of TRW Automotive Holdings Corporate for \$12.5 billion. Excluding this transaction, deal value for 2016 is down 17%.

Value by the numbers

\$41.0B

34%

Decrease in deal value versus 2015

Volume by the numbers

583

1.4%

Decrease in deal volume versus 2015

Source: Thomson Reuters

“We no longer see consolidation driving M&A activity, today M&A activity is about expansion into new technologies, new services and new business models.”

— Jeff Zaleski, US Automotive Deals Leader

Key trends/highlights

- Ten megadeals with a total aggregated disclosed value of \$19.4 billion, representing a 58% decrease in megadeals from 2015.
- The largest megadeal for 2016 was LP Group BV’s acquisition of LeasePlan Corp NV, an automotive leasing and fleet management company, for \$4.1 billion.
- For the first time since 2012, component supplier deal value decreased. Excluding the ZF acquisition of TRW, deal value fell 3% as compared to 2015.
- 55% of the top 20 deals targeted component suppliers.
- Financial buyers’ global M&A deal value decreased 61% year over year to \$7.9 billion.
- 84% of total deal volume was transacted locally within the same region, a slight increase from historical trends.
- Europe maintained its position as the most active region, transacting 202 local deals.
- Predicted global automotive assembly growth of 3.1% CAGR between 2016 and 2022.



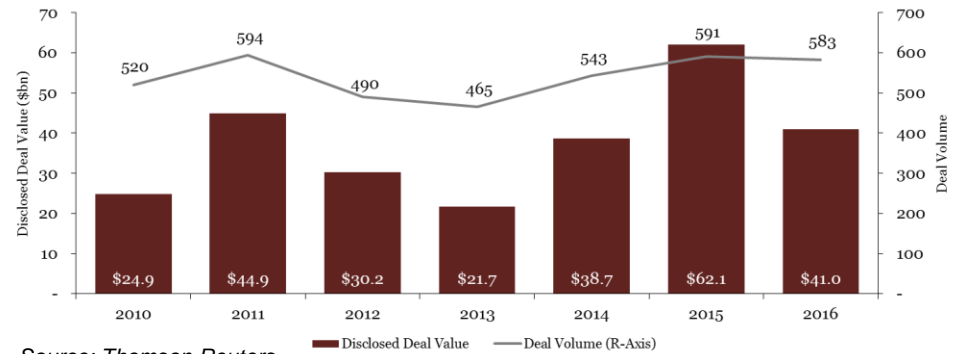
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Highlights of 2016 deal activity

M&A market activity slows

2016 underperformed in relation to 2015, both in terms of deal value and deal volume. 2016 disclosed transaction value of \$41.0 billion is down 34% from 2015. 583 deals were closed during 2016, down 1.4% from 2015, and up 7.4% from 2014. The second half of 2016 outpaced the second half of 2015 with regards to deal volume providing a strong foundation to support continued strength in activity for 2017.

Global Auto M&A Deal Volume & Value
2010 - 2016



Source: Thomson Reuters

Largest transaction

LP Group BV's \$4.1 billion acquisition of all share capital in LeasePlan Corp NV – a provider of car leasing services – was the largest transaction of 2016. This transaction accounted for approximately 10% of the total disclosed deal value in 2016.

\$4.1B



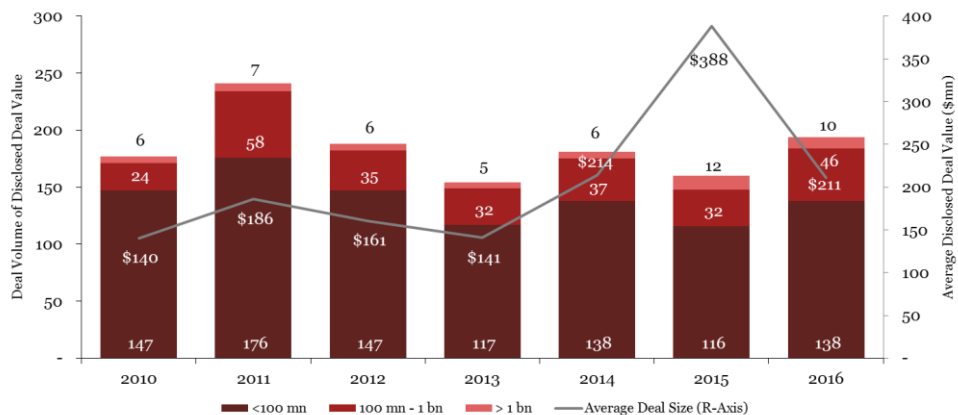
Megadeals still active

There were ten transactions in 2016 exceeding \$1.0 billion (compared to twelve in 2015 and six in 2014). Two additional mega deals were announced, but not yet closed.



10 mega-deals

Global Auto M&A Deals by Disclosed Value
2010 - 2016

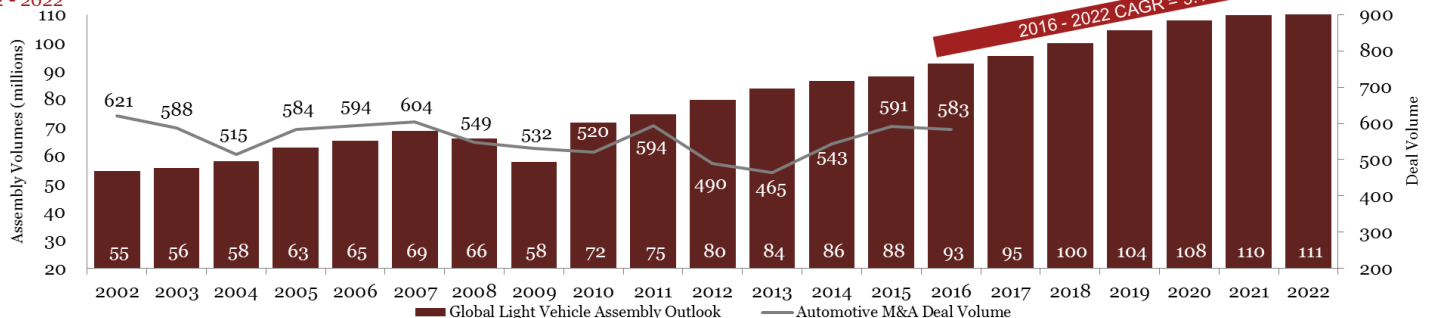


Source: Thomson Reuters

Automotive assembly

According to PwC Autofacts, the industry is expected to add 18.6 million units of production between 2016 and 2022 for a compounded annual growth rate (CAGR) of 3.1%. The majority of that growth will likely come from the Asia Pacific region with a contribution to growth (CTG) rate of nearly 63%, with China being the single largest player in the region, accounting for almost 40% of CTG by itself. India is also expected to see significant growth with a CTG of nearly 13%. North America is expected to see significant growth as well with an expected CTG rate of over 10% as automakers continue to expand investments in the US and Mexico.

Global Light Vehicle Assembly Outlook
2002 - 2022



Source: PwC Autofacts 2017 Q1 Release



Key trends and insights

Driving M&A activity: Emerging technologies and new business models

Vehicle Manufacturers

- ✓ The vigorous debate about exactly “when” fully autonomous vehicles will arrive should not blind us to the fact that autonomous driving is directly impacting M&A strategy today. General Motors’ acquisition of Cruise Automation, a San Francisco-based developer of autonomous vehicle technology, is evidence of the investments the industry is making in redefining the future of personal mobility.
- ✓ Partnerships, ventures and alliances among most Original Equipment Manufacturers and car-sharing or ride-sharing companies are redefining how manufacturers engage with the millennial generation.

Component Suppliers

- ✓ The definition of Suppliers is expanding. New technologies are driving traditional suppliers to expand their portfolios and new competitors are entering the market. ZF Friedrichshafen AG recently acquired Ibeo Automotive Systems, a sensor system company, to expand their core competencies in autonomous driving, object recognition and accident prevention.
- ✓ Commodity suppliers need to move into components that increase fuel efficiency and digital connectivity and that enable autonomous functionality. Suppliers’ instincts about these opportunities—and about the gaps in their portfolios—are likely to have a profound impact on where they focus their M&A efforts in 2017 and beyond.

Aftermarket

- ✓ The Aftermarket sector continues to see growth and consolidation. The aging car parc and opportunities for economies of scale and the related efficiencies are expected to continue to drive M&A activity.
- ✓ Included in the top 20 deals of 2016 are 3 aftermarket deals for a combined \$2.7 billion of deal value.

Other

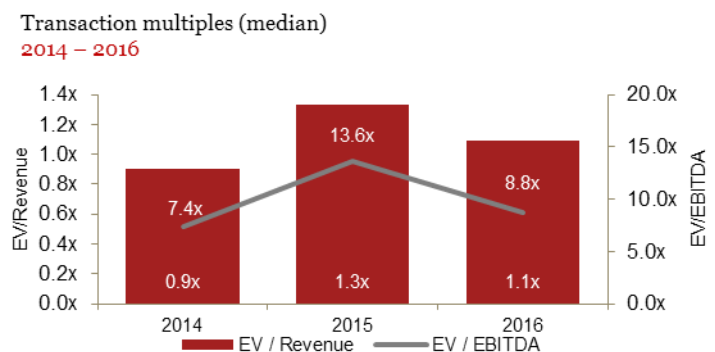
- ✓ Other new entrants in automotive include technology companies, ride sharing and other service providers. Verizon acquired Telogis, a cloud-based location intelligence platform provider, to gain a foothold in the Smart Car market.
- ✓ Apple’s announcement of a \$1 billion investment in Didi, China’s largest ride-sharing company, in early May and Uber’s acquisition of tech start-ups Otto and Geometric Intelligence, an autonomous technology for future mobility solutions firm and AI developer, are examples of other transactions we expect to see more of in the future.
- ✓ Disruptors in technology and new mobility solutions will drive new retail distribution models, including digital marketplaces, and new vehicle ownership models; further influencing M&A activity within the other segment in 2017.

Source: Publicly available sources

Transaction multiples

Disclosed transaction multiples (both in terms of revenue and EBITDA) decreased from the historical highs seen in 2015. The implied EV/revenue multiples for automotive transactions announced during 2016 decreased relative to 2015, from 1.3x to 1.1x. In the same regard, the implied earnings (EBITDA) multiples declined, from 13.6x in 2015 to 8.8x in 2016.

Source: Capital IQ





Key trends and insights

Industry sub-sector (category)

Vehicle Manufacturer deal value climbed \$2.1 billion in 2016; however, it was offset by the \$13.1 billion and \$10.1 billion decrease for Component Suppliers and the Others category, respectively.

Vehicle Manufacturers

Deal value among vehicle manufacturers increased 37% in 2016 to \$7.7 billion. The increase in deal value is primarily due to megadeal values of \$5.3 billion in 2016 versus \$2.4 billion in 2015. Megadeal activity was driven by Toyota's acquisition of the remaining stake in Daihatsu and Nissan's investment in Mitsubishi. Conversely, year over year, deal volume dropped 39% to 42 deals. This is the lowest for the segment in the last 10 years.

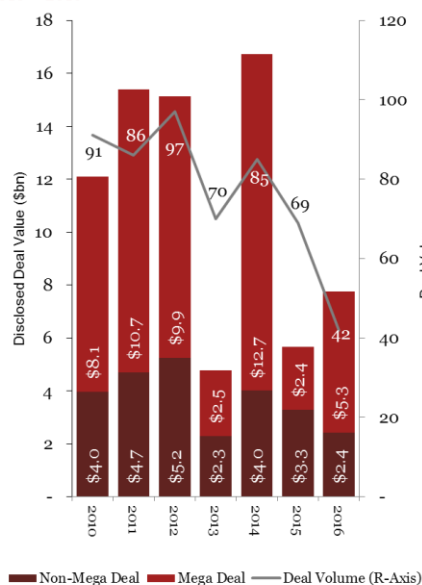
Component Suppliers

This marks the first period of decreasing deal value for component suppliers since 2012. Compared to 2015, deal value dropped 40%. However, excluding the acquisition of TRW Automotive Holdings Corp by ZF Friedrichshafen AG in 2015, deal value decreased 3%. Non-megadeal value for component suppliers increased 66% compared to 2015. Four of the ten megadeals in 2016 were transacted amongst components suppliers. In terms of deal volume, component suppliers transacted 217 deals in 2016, up 14.2% from 190 deals transacted in 2015.

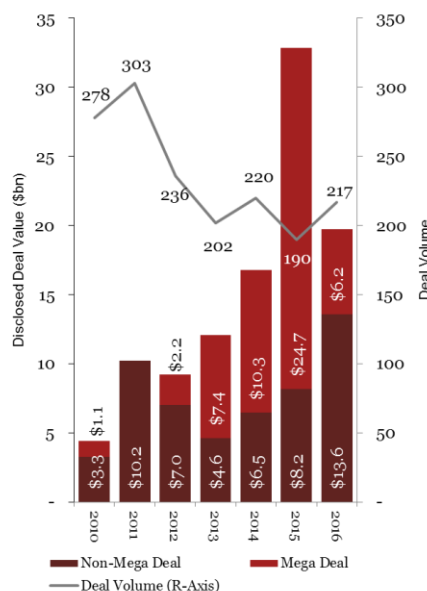
Others

The Others category includes retail/dealership, aftermarket, rental/leasing and wholesale. Despite a year-over-year decrease in deal value of 43%, which is primarily due to megadeals transacted in 2015, the Others category is still performing strongly. Non-megadeal value for Others increased 29% compared to 2015. In 2016, retailers/dealerships and aftermarket transactions account for 44% of value and 74% of volume, an increase from 2015 of 9% and 17% respectively.

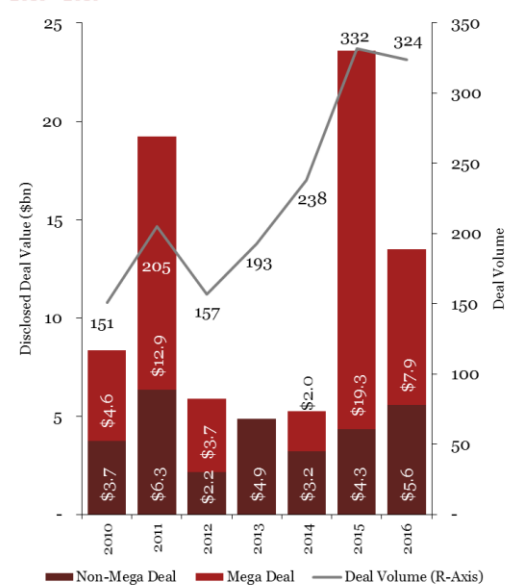
Vehicle Manufacturers M&A Activity
2010 - 2016



Component Suppliers M&A Activity
2010 - 2016



Others M&A Activity
2010 - 2016



Source: Thomson Reuters



Key trends and insights

Financial vs. trade buyers

Financial buyers

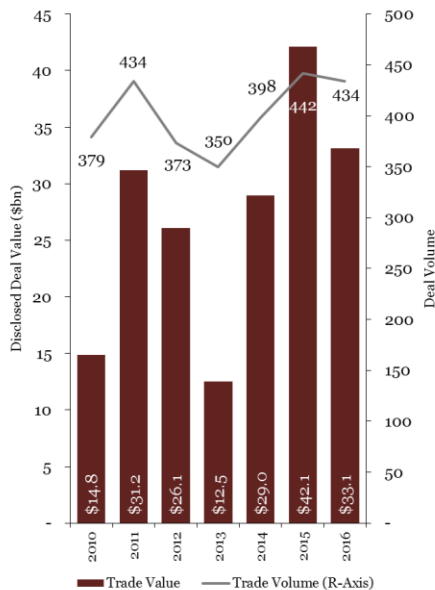
Financial buyers saw decreases in deal value in 2016, down 61% compared to 2015. The decrease in deal value is primarily driven by having only one megadeal transacted in 2016 with a value of \$4.1 billion. In comparison, six megadeals were backed by financial buyers in 2015 with a total value of \$16.1 billion. Non-megadeal value and volume was mostly flat year over year.

Financial buyers continue to show interest in the industry given the predictability of the cash flows, continued global growth and opportunities to drive efficiencies through operating changes or consolidation.

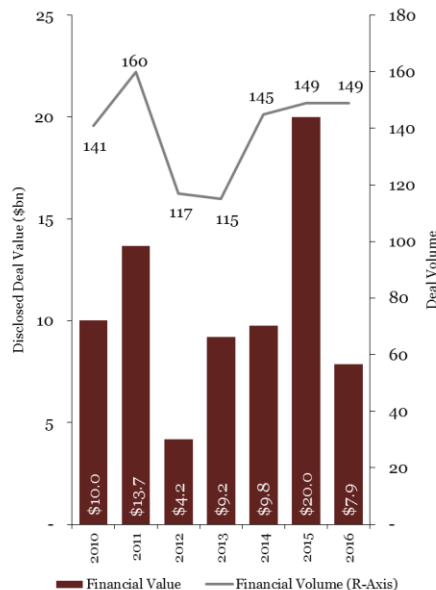
Trade buyers

Despite having a decrease in both trade buyer deal volume and value for 2016, trade buyers continue to hold the majority share of automotive deal volume and value compared to financial buyers. Volume decreased 2% and value dropped 21%. The strong results in past years by trade buyers were driven by large megadeals, as the six trade megadeals for 2015 were valued at a total of \$30.3 billion. However, in 2016, the nine megadeals for trade buyers totaled only \$15.4 billion. Non-megadeal value for trade buyers increased 50% compared to 2015 due to an increased number of disclosed deals.

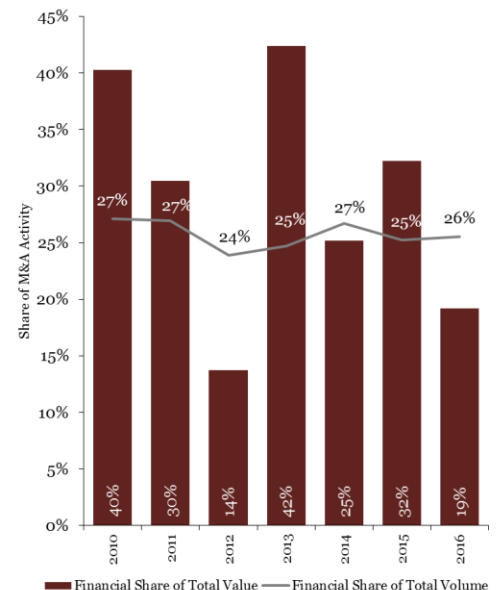
Trade Buyers M&A Activity
2010 - 2016



Financial Buyer M&A Activity
2010 - 2016



Financial Buyer Share of M&A Activity
2010 - 2016



Source: Thomson Reuters



Key trends and insights

Regional analysis

Local deals (transactions by targets and acquirors within the same borders) dominated the M&A landscape again in 2016 as 84% of the total deal volume was within the same region. 78% of deal value (or \$32.0 billion) was attributable to local deals.

U.S.

Share of deal volume by U.S. acquirors and deal volume with a US target decreased to 27% and 25% in 2016, respectively, as compared to 28% and 27% in 2015. While the share of deal value by US acquirors increased marginally in 2016 to 18%, the share of deal value with US targets declined more than twofold to 20% year over year, which is primarily due to fewer megadeals transacted in 2016.

2017 will see a new president and congress. Newly elected President Trump has promised to renegotiate the North American Free Trade Agreement (NAFTA) with Canada and Mexico and cancel any participation in the Trans-Pacific Partnership (TPP). He has also promised more aggressive tactics on trade policy, including engaging China and other countries to pay for the privilege of selling goods in the United States and implementing punitive measures against companies who move American jobs overseas. The auto sector is a case study in how a change in US trade policy could affect the entire supply chain. A large portion of Mexican exports to the US are auto parts which are then used in the numerous auto manufacturing plants across the US. Mexico exports over \$60 billion in auto parts to the US and Canada each year, accounting for much of its trade surplus with the US. (In return, the US and Canada ship almost \$30 billion in auto parts to Mexico.) Higher tariffs could push automakers and suppliers into rethinking the location of production. Depending on the ultimate fall out, for Component Suppliers, localization may be a driver of deals in the future.

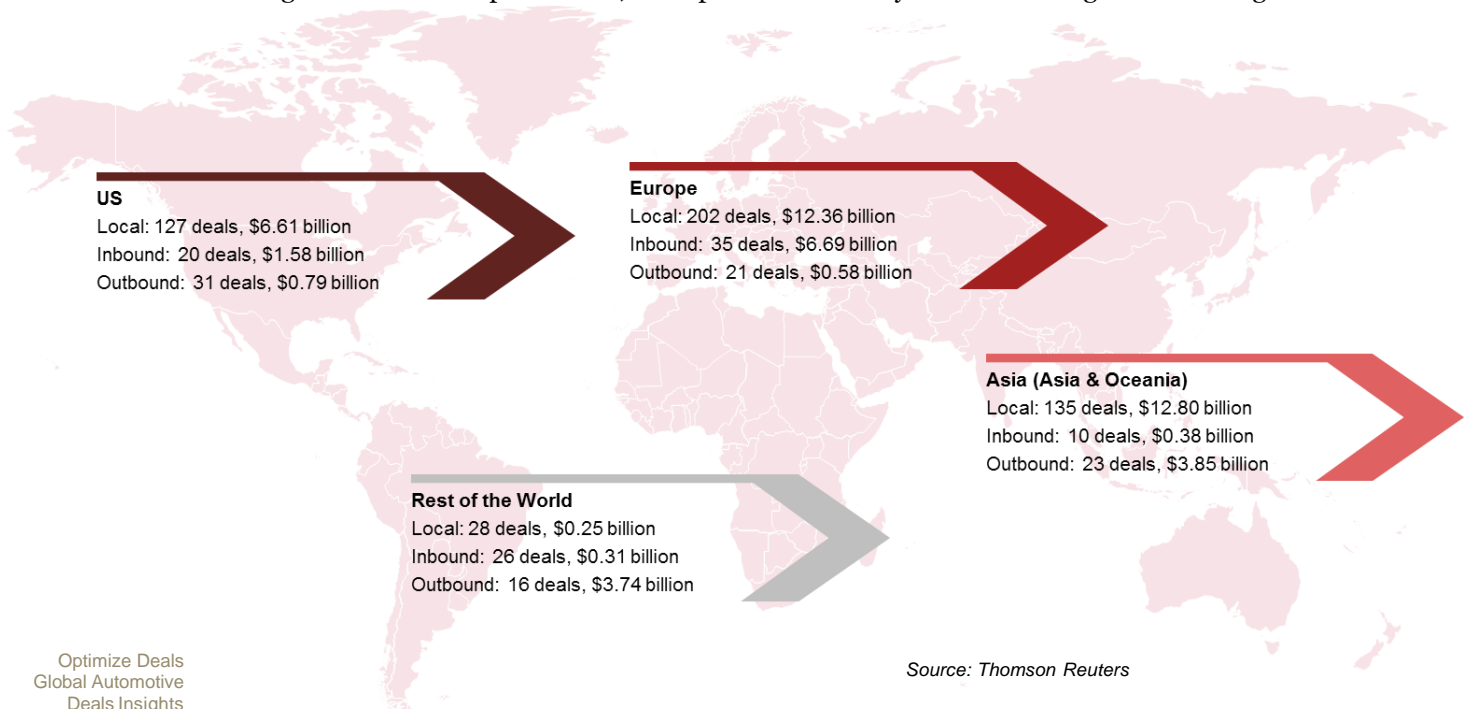
Europe

Europe held the majority share of the deal volume for 2016. The share of deal value by target region nearly doubled to 46% in 2016 primarily driven by seven of the ten megadeals transacted with a European target. Share of European deal value by acquiror region decreased to 32% in 2016 as compared to 46% in 2015, which was inflated by large European megadeals.

As the world continues to react to the United Kingdom's (UK) vote to leave the EU on June 23, 2016, there are still many more questions than answers. The likely impact on several key components of the automotive industry hangs in the balance, including Capex, R&D and Talent Acquisition. The UK produced nearly 1.7 million light vehicles in 2015, of which, a vast majority of these units are exported. The UK's largest export market was the EU, accounting for 57% of vehicle exports.

Asia

Year over year, overall deal value decreased for Asia in 2016. The share of outbound deal value and volume in 2016 increased to 32% and 25%, as compared to 25% and 18% in 2015, respectively. The share of deal value by Asian acquirors had the greatest jump in 2016, up 13 points from 2015, which was driven by five of the ten megadeals being with Asian acquirors. As Asia continues to drive growth in vehicle production, we expect M&A activity to continue to grow in this region.





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Top 20 automotive transactions, 2016

	Date effective	Target name	Target region	Acquiror name	Acquiror region	% of share acquired	Value of transaction (\$mil)	Buyer type	Category
1	3/21/2016	LeasePlan Corp NV	Europe	LP Group BV	Europe	100	4,065	FIN	Other
2	8/1/2016	Daihatsu Motor Co Ltd	Asia	Toyota Motor Corp	Asia	49	3,132	TRADE	VM
3	1/4/2016	GETRAG GmbH & Cie KG	Europe	Magna International Inc	ROW	100	2,666	TRADE	Comp
4	10/20/2016	Mitsubishi Motors Corp	Asia	Nissan Motor Co Ltd	Asia	34	2,189	TRADE	VM
5	6/21/2016	Baoxin Auto Group Ltd	Asia	China Grand Automotive Services (Hong Kong) Ltd	Asia	75	1,483	TRADE	Other
6	5/31/2016	CGS Holding AS	Europe	Trelleborg AB	Europe	100	1,249	TRADE	Comp
7	12/1/2016	Athlon Car Lease Intl BV	Europe	Mercedes-Benz Financial Services	Europe	100	1,221	TRADE	Other
8	7/1/2016	Alliance Tire Group BV	Europe	Yokohama Rubber Co Ltd	Asia	100	1,179	TRADE	Comp
9	3/18/2016	Rhino HoldCo Ltd	Europe	LKQ Italia Srl	Europe	100	1,135	TRADE	Other
10	8/31/2016	Punch PowerTrain NV	Europe	Yinyi Group Co Ltd	Asia	100	1,100	TRADE	Comp
11	2/5/2016	Gestamp Automocion SL	Europe	Corporacion Gestamp SL	Europe	35	980	TRADE	Comp
12	2/25/2016	Montupet SA	Europe	Linamar Corp	ROW	100	960	TRADE	Comp
13	6/2/2016	Key Safety Systems Inc	US	Ningbo Joyson Electronic Corp	Asia	100	920	TRADE	Comp
14	2/4/2016	The PEP Boys-Manny Moe & Jack	US	Icahn Enterprises LP	US	88	894	FIN	Other
15	7/5/2016	Vibracoustic GmbH	Europe	Freudenberg & Co KG	Europe	50	834	TRADE	Comp
16	7/29/2016	Faurecia SA-Bumpers business	Europe	Compagnie Plastic Omnium SA	Europe	100	730	TRADE	Comp
17	1/15/2016	Huayu Automotive Sys Co Ltd	Asia	SAIC Motor Corp Ltd	Asia	9	727	TRADE	Comp
18	5/13/2016	Cruise Automation Inc	US	General Motors Co	US	100	688	TRADE	VM
19	8/18/2016	Otto Motors	US	Uber Technologies Inc	US	100	680	TRADE	Other
20	4/21/2016	Pittsburgh Glass Works LLC	US	LKQ Corp	US	100	635	TRADE	Comp

Source: Thomson Reuters

Note: Deals included in this chart are those that have disclosed value.

*Represents an estimated deal value based on publicly available information.

About PwC's Deals Practice

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Smart deal makers are perceptive enough to see value others have missed, flexible enough to adjust for the unexpected, aggressive enough to win favorable terms in a competitive environment, and circumspect enough to envision the challenges they will face from the moment the contract is signed. But in a business environment where information can quickly overwhelm, smart deal makers look to experienced advisors to help them fashion a deal that works.

PwC's Deals group can advise retail and consumer companies and retail and consumer-focused private equity firms on key M&A decisions, from identifying acquisition or divestiture candidates and performing detailed buy-side diligence, to developing strategies for capturing post-deal profits and exiting a deal through a sale, carve-out, or IPO. With more than 9,800 deals professionals in 75 countries, we can deploy seasoned teams that combine deep retail and consumer industry skills with local market knowledge virtually anywhere and everywhere your company operates or executes transactions.

Although every deal is unique, most will benefit from the broad experience we bring to delivering strategic M&A advice, due diligence, transaction structuring, M&A tax, merger integration, valuation, and post-deal services.

In short, we offer integrated solutions, tailored to your particular deal situation and designed to help you extract value within your risk profile. Whether your focus is deploying capital through an acquisition or joint venture, raising capital through an IPO or private placement, or harvesting an investment through the divestiture process, we can help.

For more information about M&A and related services in the retail and consumer industry, please visit <http://www.pwc.com/optimizeddeals> or <http://www.pwc.com/auto>

About the data

The information presented in this report is an analysis of deals in the retail and consumer industry where the target company, the target ultimate parent company, the acquiring company, or the acquiring ultimate parent company was located in the United States of America. Deal information was sourced from Thomson Reuters and includes deals for which targets have a target mid industry code that falls into one of the following mid industry groups: Advertising & Marketing, Aerospace & Defense, Automobiles & Components, Automotive Retailing, Building/Construction & Engineering, Chemicals, Containers & Packaging, Credit Institutions, Electronics, Healthcare Equipment & Supplies, Insurance, Internet Software & Services, Machinery, Metals & Mining, Other Consumer Products, Other Energy & Power, Other Industrials, Professional Services, Software, Telecommunications Equipment, and Transportation & Infrastructure. Certain adjustments have been made to the information to exclude transactions which are not specific to the retail and consumer sector or incorporate relevant transactions that were omitted from the indicated mid industry codes.

This analysis includes all individual mergers, acquisitions, and divestitures for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of remaining interest effective between January 1, 2016 and December 31, 2016, with a deal status of completed. Additionally, transactions that are spin-offs through distribution to existing shareholders are included.

Percentages and values are rounded to the nearest whole number which may result in minor differences when summing totals. All values are shown in U.S. dollars.