The automotive industry’s appetite for deal-making is growing, and advanced technology, intellectual property and visionary innovators are all on the menu.

**Investments double**  The $30 billion in mergers, acquisitions and other investments in the auto sector announced in the first three months of 2018 was more than double the quarterly average over the past three years. Momentum built in 2017 is continuing during the first three months of 2018, with Chengdu Qianfeng Electronics’ announced acquisition of Beijing Electric Vehicle for $4.5 billion. The drivers of these transactions are as diverse as the buyers and sellers themselves, but one thing is becoming clear: companies are looking to the future—and betting on it.

Last year’s biggest deal is a clear indication of this trend. Intel’s $15.3 billion acquisition of MobileEye—an advanced driver-assistance system providing warnings for collision prevention and mitigation—accounted for nearly 32% of the year’s total disclosed deal value.

**Competition ramps up around next-gen auto plays**  Fully autonomous vehicles may still be several years away, which may seem like a long way off. But the acceleration in M&A activity is a signal that forward-looking auto and tech companies are already making moves to prepare. This means any company that envisions a place for itself in the auto industry of the future needs to start acting now.

Standing on the sidelines is the first big risk that companies, private equity firms and venture capitalists with an interest in tomorrow’s auto industry face, but it’s not the only one. They’ll also need to navigate high valuations. On average, automotive technology deals have featured higher ratios of enterprise value to earnings before interest, taxes, depreciation and amortization than non-technology deals in the space. Put simply, competition to buy and invest in companies with technology embedded in the cars of the future is rising, pushing prices up. Just consider that the auto tech deal value nearly doubled from $12.9 billion in 2016 to $22.0 billion in 2017. The bottom line is that attractive deals are getting harder to find, and are likely to come at a premium.

Another challenge facing potential buyers of automotive technology companies is that much of the technology that will transform the car in the coming years remains unproven, making some investments risky. The issue is more complicated than whether a system or component will fulfill expectations. In some cases, there are still competing standards around certain technologies with no clear winner. Furthermore, the jury is still out on which technologies will dominate in a world of connected, autonomous, and electric cars. For example, how quickly will 5G cellular networks roll out? Or, how aggressively will governments invest in smart infrastructure to facilitate greater levels of autonomy?

But this isn’t just a case of big technology companies buying a stake in auto suppliers producing next-generation components and systems. Indeed, a PwC analysis found that 50% of 2017’s automotive technology acquisitions were carried out by non-tech companies. Parts manufacturers, for example, have an eye on the future of the industry as well, as illustrated by Aptiv’s $450 million acquisition of nuTonomy, a provider of autonomous vehicle software and mobility solutions.

Venture capital funds have made significant investments, too—and not just to fund on-demand transportation apps, where they have historically been an instrumental source of funding. Just like tech firms, automakers and suppliers, they’re focused on the technology that will change the way we drive, including autonomous-driving systems and electric drivetrains.

**Culture clash?**  Lastly, acquirers, especially those eyeing targets outside of their industry need to be mindful of how critical it is to make a good cultural and people fit—and achieving that is not always an easy task.

PwC’s 2017 M&A Integration Survey found that the importance in gaining access to management and technical talent as a deal objective has more than doubled (from 15% in 2013 to 33% in 2017), yet there has been a 20% decline in completely achieving this goal (from 36% to 29%). With a high number of non-technology companies making acquisitions to secure cutting edge products or systems, the need for company cultures to combine well is especially acute.

Read PwC’s full first-quarter 2018 Global Automotive Deals Insights analysis at www.pwc.com/automotive.