



Automotive Quarterly M&A Newsletter



Q3 2018

Key Takeaways

The interior design of vehicles – especially cockpits – is changing profoundly as an increasing number of technologies merges in the space behind the wheel. The cockpit is turning into a comfortably designed control and entertainment center as every major component including the steering wheel, instrument clusters, dashboard controls, seats, safety systems, and climate controls is reinvented by automakers. With these dramatic changes, many new and existing companies compete to re-design and benefit from the cockpit of the next generation of cars – the theme of our Q3 2018 Automotive Quarterly Newsletter.

Technological Advancements and Automotive Megatrends are Redefining the Automotive Cockpit

- Autonomous driving features powered by connectivity and digitization are having a revolutionary impact on the automotive cockpit segment, offering many venues to both hardware and software providers to innovate and meet consumers' changing demands
- Advancements in the cockpit can pose challenges for traditional suppliers as new suppliers enter the market, but there are significant opportunities across categories
- Changing design and material requirements are paving the way for interior component suppliers to collaborate with OEMs and consumer electronics companies to design futuristic integrated concepts and enhance the travel experience

“With the car becoming a connected mobile platform, drivers and passengers expect to access information or entertainment in their vehicles as they do with their smartphones or tablets.”
 Sachin Lawande, President and CEO of Visteon

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Valuation Observations and Sector Performance

<ul style="list-style-type: none"> Global OEM multiples have increased over the previous quarter while multiples for suppliers declined, further widening the valuation gap between the two groups 	At the end of Q3'18 the average EV / LTM EBITDA multiples were:	NA Auto Parts Manufacturers	6.7x -0.6x Q-o-Q
		Global OEMs	8.7x +0.5x Q-o-Q



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Automotive M&A Activity

- Automotive supplier M&A activity witnessed a slight Q-o-Q decline⁽¹⁾. U.S.-based buyers drove the overall acquisition momentum, being involved in 31% of transactions during the quarter
- Q3 2018 saw a number of deals in the auto interiors space. In one of the transactions, Asahi Kasei Corporation announced the acquisition of Sage Automotive Interiors, a U.S.-based developer and manufacturer of automotive interior fabrics, for \$1,060 million

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KPMG Corporate Finance ⁽¹⁾

 <p>America's M&A Transactions Advisory Services Firm of the Year - 2018</p>	 <p>Consumer Discretionary Deal of the Year (Over \$100 MM) 2017</p>	<ul style="list-style-type: none"> In the global mid-market segment, KPMG was the #1 M&A advisor with the most transactions over the last 5 years
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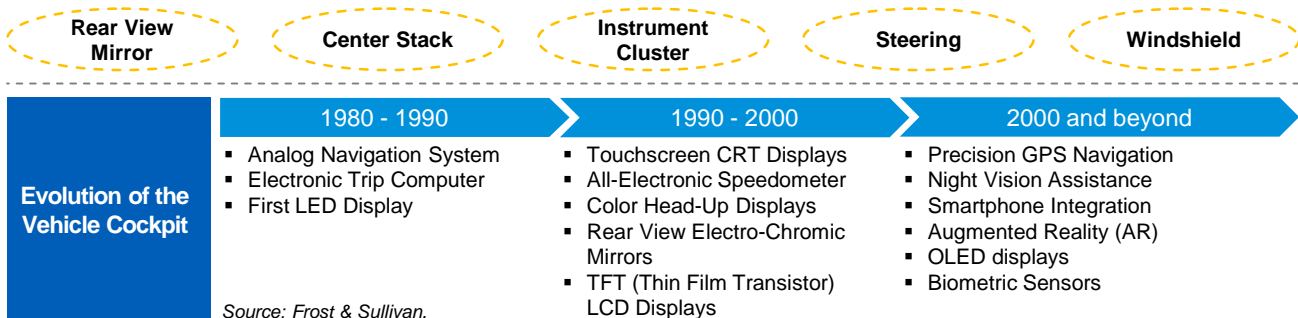
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(1)Refers to the global Corporate Finance practices of KPMG International's network of independent member firms
 Sources: Capital IQ, analyst reports, and other publicly available sources.
 Note: (1) Based on transaction records available in CapitalIQ.
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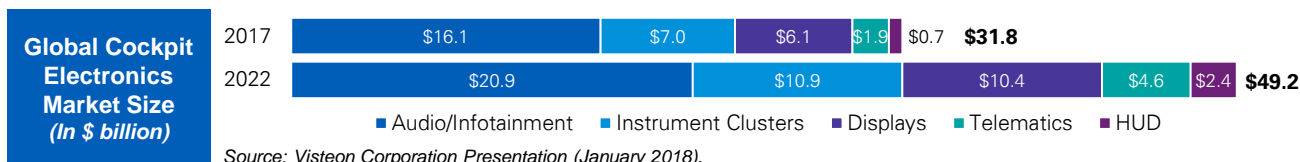
Automotive Cockpits

The industry's move towards connected cars and assisted driving has turned the automotive cockpit into a new battleground for suppliers. There is now an increased focus on supplying both hardware and software that enables autonomous features and enhances the user experience. The next generation of vehicles is expected to be an extension of consumers' digital lifestyles. As a result, the interior of an automobile is steadily evolving from a purely functional driver environment to a mobile living room integrating advanced functions, comfort, ergonomics, and safety features.

Vehicle Cockpit Components



Digitization and Connectivity Defining Today's Cockpits



While it may take more than a decade until widespread availability of shared-mobility and fully autonomous vehicles, upcoming models are expected to feature increasingly high-tech cockpit and interior components.

Infotainment

Infotainment systems are acting as an interface between humans and the vehicle, and are becoming much more than an extension of the ubiquitous smartphone.

Consumers' desire for feature rich systems, supported by their use of IoT-enabled devices and digital voice assistants at home, have shifted the momentum from traditional audio to display audio allowing integration of phones with cars through smartphone mirroring solutions such as Apple Car Play and Android Auto.

Head-Up Displays (HUDs)

HUDs are becoming increasingly available in automobiles to enable the driver to intuitively access key information either on a screen or directly on the windshield, without changing direction of gaze.

GM introduced the first head-up display in the Oldsmobile Cutlass Supreme in 1988, showing speed, tachometer, and other basic readings. Today, more advanced HUDs are being developed offering Human-Machine Interface solutions for autonomous driving.

Exterior Mirror vs. Exterior Camera

Side mirrors are set to be displaced by cameras which will collect information on surrounding traffic and provide a continuous feed on the interior display panels. Along with an increased field of view, this will also improve aerodynamics and reduce noise.

In the recently launched Audi E-Tron, the side view mirrors have been replaced with exterior cameras that stream their feeds through the digital displays embedded on the doors beneath the windows.

Instrument Clusters (IC)

Digital ICs loaded with rich Advanced Driving Assistance Systems (ADAS) such as traffic jam assist, lane departure warning, and pedestrian detection are poised to supersede analog clusters in next-generation vehicles. Analog ICs are expected to become obsolete by 2020.

Johnson Controls has developed a multilayer instrument cluster which uses the latest TFT technology and generates a 3D interface.

Selected Public Automotive OEM and Parts Manufacturers

Selected Automotive Comps											
Company	HQ Country	Market Data				LTM Financials			Valuation Multiples - Enterprise Value To:		
		Market Cap (\$mm)	Enterprise Value (\$mm) ⁽¹⁾	Share Price ⁽²⁾	% 52 Wk High	Revenue	Revenue Growth	EBITDA % ⁽³⁾	LTM EBITDA ⁽³⁾	NTM Revenue	NTM EBITDA ⁽³⁾
North American Auto Parts Manufacturers											
Aptiv PLC	IE	22,212	25,566	83.90	79.9%	13,902	12.3%	16.1%	11.4x	1.71x	9.9x
Magna International Inc.	CA	17,847	22,151	52.49	77.9%	41,978	6.5%	10.3%	5.1x	0.53x	4.8x
Lear Corporation	US	9,499	10,423	145.00	70.3%	21,660	7.7%	10.5%	4.6x	0.47x	4.5x
BorgWarner Inc.	US	8,935	10,840	42.78	73.5%	10,481	7.9%	16.6%	6.2x	1.01x	6.1x
Gentex Corporation	US	5,771	5,326	21.46	84.5%	1,819	5.1%	34.3%	8.5x	2.72x	8.0x
Nexteer Automotive Group Limited	US	3,970	3,814	1.58	60.8%	3,951	3.3%	13.9%	7.0x	0.92x	5.6x
Adient plc	IE	3,670	7,085	39.31	45.5%	17,273	8.0%	5.3%	7.8x	0.40x	5.1x
Linamar Corporation	CA	3,009	4,677	46.04	73.9%	5,455	17.2%	15.6%	5.5x	0.76x	4.8x
Delphi Technologies PLC	GB	2,784	4,103	31.36	51.9%	5,022	3.9%	16.1%	5.1x	0.81x	5.1x
Visteon Corporation	US	2,728	2,681	92.90	66.1%	3,134	(0.6%)	9.1%	9.4x	0.85x	7.5x
Dana Incorporated	US	2,699	4,548	18.67	52.9%	7,860	12.2%	10.8%	5.3x	0.55x	4.5x
Tenneco Inc.	US	2,167	3,473	42.14	64.2%	9,776	7.2%	8.8%	4.0x	0.34x	3.8x
Cooper-Standard Holdings Inc.	US	2,138	2,485	119.98	81.7%	3,703	2.2%	12.2%	5.5x	0.67x	5.1x
American Axle & Manufacturing	US	1,948	5,503	17.44	86.0%	7,218	15.5%	16.9%	4.5x	0.77x	4.4x
Gentherm Incorporated	US	1,657	1,705	45.45	90.4%	1,019	8.3%	12.9%	13.0x	1.55x	10.4x
Martinrea International Inc.	CA	887	1,355	10.20	75.4%	2,739	(1.0%)	12.0%	4.1x	0.48x	3.8x
Stoneridge, Inc.	US	847	903	29.72	78.9%	858	5.8%	11.5%	9.1x	1.02x	8.0x
Tower International, Inc.	US	623	927	30.25	82.5%	2,120	9.3%	9.9%	4.4x	0.42x	4.0x
North American Auto Parts Manufacturers Mean					72.0%		7.3%	13.5%	6.7x	0.89x	5.8x
North American Auto Parts Manufacturers Median					74.6%		7.4%	12.1%	5.5x	0.77x	5.1x
Global OEMs											
Toyota Motor Corporation	JP	179,382	314,901	62.52	90.9%	267,905	1.2%	14.3%	8.2x	1.19x	10.2x
Volkswagen AG	DE	87,233	248,982	176.14	78.8%	273,842	3.7%	10.4%	8.8x	0.89x	6.2x
Daimler AG	DE	67,556	203,628	63.15	71.1%	192,597	1.9%	9.9%	10.6x	1.03x	9.2x
BMW AG	DE	58,649	156,652	90.16	80.0%	112,827	(2.1%)	13.5%	10.3x	1.37x	9.6x
Honda Motor Co., Ltd.	JP	53,343	98,427	30.30	82.8%	141,395	2.6%	9.2%	7.6x	0.71x	8.8x
General Motors Company	US	47,505	131,231	33.67	72.0%	144,197	8.1%	13.9%	6.5x	0.90x	6.8x
Tesla, Inc.	US	45,168	57,704	264.77	68.3%	13,684	73.8%	(3.4%)	NM	2.16x	17.4x
Ford Motor Company	US	36,868	164,727	9.25	68.6%	158,656	0.4%	8.7%	11.9x	1.14x	14.6x
Nissan Motor Co., Ltd.	JP	36,654	97,787	9.37	88.8%	107,428	(0.9%)	7.9%	11.5x	0.92x	11.4x
Fiat Chrysler Automobiles N.V.	GB	27,283	30,448	17.59	75.0%	129,695	2.8%	10.1%	2.3x	0.23x	1.9x
Renault SA	FR	23,246	67,816	86.56	73.9%	69,058	1.8%	10.3%	9.5x	0.96x	8.3x
Global OEMs Mean					77.3%		8.5%	9.5%	8.7x	1.05x	9.5x
Global OEMs Median					75.0%		1.9%	10.1%	9.1x	0.96x	9.2x

Source: CapitalIQ and company filings.

All figures in USD, where applicable, converted at rates as of September 30, 2018.

(1) Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents as of closing price September 30, 2018.

(2) Closing share prices as of September 30, 2018.

(3) EBITDA equals Earnings before Interest Expense, Income Taxes, Depreciation and Amortization.

Select Q3 2018 M&A Transactions

Date Closed	Target	Buyer	Implied Enterprise Value (\$ mm)	Implied EV/LTM Revenue	Implied EV/LTM EBITDA
Pending	Global fluid pressure & controls business of Magna International	Hanon Systems	\$1,230.0	0.88x	-
Pending	Roof Systems Business of Inteva Products Inc.	CIE Automotive, S.A.	\$758.6	0.76x	-
Pending	Jofund S.A.	Fras-le S.A.	\$45.8	-	-
Pending	Drive Systems Segment of Oerlikon Group	Dana Incorporated	\$614.2	0.82x	7.7x
Pending	Sage Automotive Interiors, Inc.	Asahi Kasei Corporation	\$1,060.0	2.23x	-
Pending	Efficient Drivetrains, Inc.	Cummins Inc.	-	-	-
09/27/18	Detector De Seguimiento Y Transmisión S.A.	Viasat Group S.p.A.	-	-	-
09/24/18	Assets of Hi-Vol Products LLC	LISI Automotive SAS	-	-	-
09/12/18	Grakon Parent, Inc.	Methode Electronics, Inc.	\$420.0	2.64x	10.2x
08/31/18	Behr Thermot-tronik Italia S.p.A. (nka:Mahle Behr Grugliasco)	MAHLE GmbH	-	-	-
08/31/18	BINS Indústria de Artefatos de Borracha LTDA.	Dätwyler Holding Inc.	-	-	-
08/06/18	Detroit Manufacturing Systems LLC	Bruce Smith	-	-	-
08/01/18	Inapal Plásticos SA	Teijin Holdings Netherlands B.V.	-	-	-
08/01/18	Marathon Seat Covers, Inc.	Covercraft Industries, LLC	-	-	-
07/10/18	Battery Division of Gentherm Incorporated	Hyllion, Inc.	-	-	-
07/02/18	Sa-ba Endüstriyel Ürünler İmalat ve Ticaret A.S	Varroc Lighting Systems, Inc.	-	-	-

Source: CapitalIQ, Mergermarket, and press releases.

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KPMG Corporate Finance

Leading Advisor to the Automotive Sector⁽¹⁾

Select Transactions ⁽¹⁾

   <p>KPMG Corporate Finance</p> <p>acted as buy-side financial advisor to Piston Group on the acquisition of Irvin Automotive Products from Takata</p>	  <p>KPMG Corporate Finance</p> <p>acted as financial advisor on the sale of Covpress International Ltd to Shandong Youngtai Corp Ltd</p>	  <p>KPMG Corporate Finance</p> <p>acted as financial advisor to VITEC, LLC in its sale to a confidential acquirer</p>	  <p>KPMG Corporate Finance</p> <p>acted as financial advisor to TriVero Group on raising acquisition financing for the purchase of BTM Company</p>
  <p>KPMG Corporate Finance</p> <p>acted as financial advisor to Comvest Partners in the sale of Chicago Miniature Lighting to AGM Automotive Partners</p>	  <p>KPMG Corporate Finance</p> <p>acted as financial advisor to Fleetwood Metal Industries on its sale to Milestone Partners</p>	  <p>KPMG Corporate Finance</p> <p>acted as financial and tax advisor to FinnvedenBulten AB on the disposal of Finnveden Metal Structures AB to Shiloh Industries</p>	  <p>KPMG Corporate Finance</p> <p>acted as financial advisor to C2i in connection with the disposal of majority stake to Korean conglomerate LG Hausys</p>

(1) Represents the Corporate Finance practices of KPMG International's network of independent member firms

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