



Deals driver

Automotive trends and transactions

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On the back of steady production and high consumer demand in 2016, Original Equipment Manufacturers (OEMs) are searching for ways to drive demand into the future. As a result, many OEMs are investing heavily into technological advances relating to automobile connectivity, and the data, software and sensors needed to evolve the automobile into the center of consumers' connected lives. This market is expected to grow exponentially, and account for approximately 50 percent of newly manufactured cars by 2018 and 75 percent of all produced cars by 2020¹.

Data has it benefits

In a recent KPMG survey, automotive executives ranked connectivity and digitalization as the #1 industry disrupting trend in the years leading up to 2025². In what many consider to be a matter of only years, the car will take on its own persona – one with a mobile digital identity³. To consumers, the value of a connected car is an enhanced experience while in the car due to easier and safer driving, and a more personal, fun, and productive ride³. To manufacturers, value is derived by the massive amount of data created by a connected car which can provide incredible insight into a driver's habits, preferences, and experiences.

Data value is not without risks

Just as the data contained in a car's system contains extensive value, it also carries significant risk for the companies that possess it. With modern day automobiles drawing data from more than 60 wired and wireless connections, automakers must become data protectors³. This includes protecting the confidentiality, integrity, and availability of this data³ in order to reduce the risk of theft, and the exposure of a car's operating system to hackers.

Market impact

"As the market for connected cars grows, we expect deal momentum to increase. Everyone from OEMs to telecom and technology companies will search for ways to expand their connected vehicle offerings, and be the first to bring them to market," says Peter Hatges, Managing Director, Corporate Finance Inc. and National Sector Leader, Automotive, KPMG in Canada.

2016 observed transactions related to this connected car movement, with Verizon Communications' acquisition of Telogis Inc., a platform for connected intelligence⁴, and Samsung's approximately \$8.0 billion acquisition of HARMAN, an end-to-end solution provider for the connected car system⁵.

¹Source: *kwm.com*, *Connected Cars – privacy and data security in the driver's seat*.

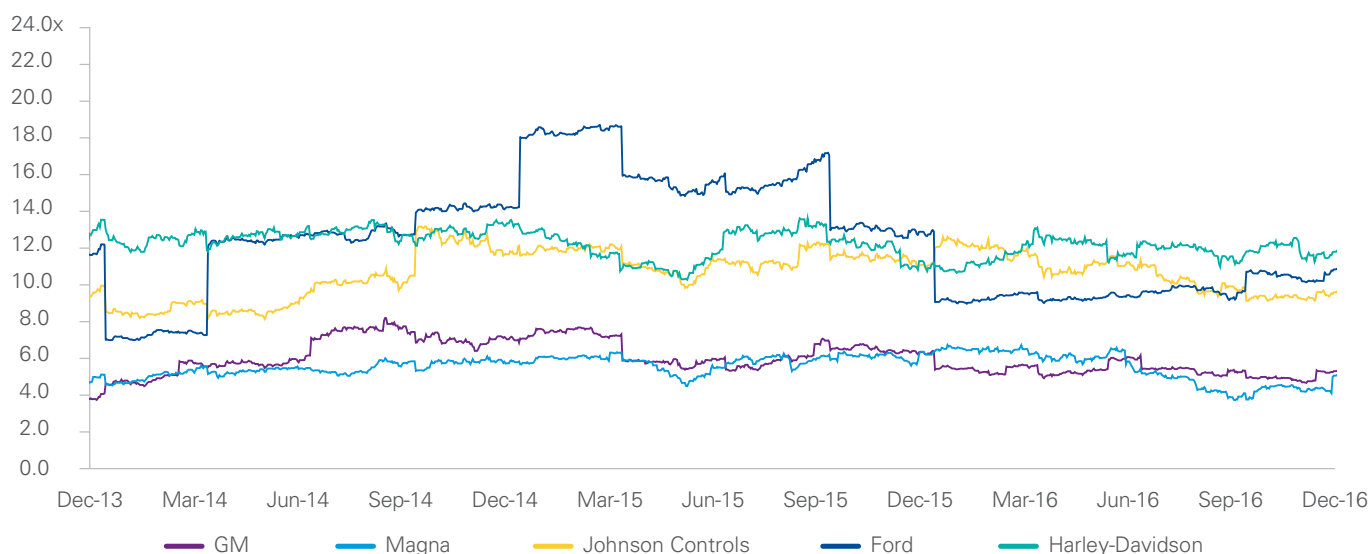
²Source: KPMG, *Global Automotive Executive Survey 2016*

³Source: KPMG, *Your connected car is talking. Who's listening? 2017*

⁴Source: *Connectedcar-news.com*, *Verizon acquires Telogis to enhance connected vehicle business*, June 27, 2016

⁵Source: *Samsung*, *Samsung Electronics to Acquire HARMAN, Accelerating Growth in Automotive and Connected Technologies*, November 14, 2016

Automotive EV/LTM EBITDA Performance (last 3 years)



Source: Capital IQ, as of December 2016.

Public comparable companies (\$CAD millions)

Company	Country	Capitalization		LTM multiples		NTM multiples			
		Market cap.	Enterprise Value ("EV")	EV/ Revenue	EV/ EBITDA	P/E	EV/ EBITDA	EV/EBIT	P/E
American Axle & Manufacturing Holdings, Inc.	United States	1,982	3,256	0.6x	4.2x	6.0x	3.9x	6.0x	6.0x
BorgWarner Inc.	United States	11,283	14,141	1.2x	7.3x	16.3x	7.0x	9.3x	11.7x
Cooper Tire & Rubber Company	United States	2,790	2,651	0.7x	3.4x	9.2x	4.4x	5.6x	9.9x
Cooper-Standard Holdings Inc.	United States	2,451	3,040	0.7x	5.8x	14.2x	5.1x	7.7x	9.6x
Dana Incorporated	United States	3,667	4,860	0.6x	6.3x	n.m.	5.4x	7.7x	10.8x
Dorman Products, Inc.	United States	3,383	3,258	3.0x	14.2x	26.2x	12.3x	13.7x	22.4x
Ford Motor Company	United States	64,745	50,239	0.2x	2.5x	6.8x	3.3x	6.1x	7.3x
General Motors Company	United States	70,764	57,038	0.3x	2.3x	4.0x	2.3x	3.7x	6.1x
Gentex Corporation	United States	7,578	6,845	3.0x	8.4x	16.3x	7.9x	9.3x	15.3x
Gentherm Incorporated	United States	1,660	1,672	1.4x	8.5x	16.0x	8.1x	10.8x	14.1x
Harley-Davidson, Inc.	United States	13,852	12,824	1.6x	7.6x	15.1x	7.2x	8.4x	14.2x
Johnson Controls International plc	Ireland	51,775	73,924	1.5x	16.0x	n.m.	11.6x	15.4x	15.3x
LCI Industries	United States	3,564	3,505	1.7x	11.4x	22.6x	9.6x	11.9x	19.0x
Lear Corporation	United States	12,483	13,384	0.5x	5.5x	9.9x	5.2x	6.5x	9.2x
Linamar Corporation	Canada	3,761	4,983	0.8x	4.9x	7.5x	4.7x	7.1x	7.3x
Magna International Inc.	Canada	22,349	26,801	0.6x	5.5x	8.7x	5.1x	7.4x	7.7x
Martinrea International Inc.	Canada	742	1,423	0.4x	4.3x	8.3x	3.9x	6.6x	5.2x
Metaldyne Performance Group Inc.	United States	2,056	4,308	1.1x	6.9x	15.8x	6.3x	11.6x	13.2x
Nexteer Automotive Group Limited	United States	3,987	4,359	0.9x	7.0x	11.9x	5.3x	7.3x	10.0x
Tenneco Inc.	United States	4,619	6,174	0.6x	5.8x	9.3x	5.1x	7.0x	9.8x
Tesla Motors, Inc.	United States	46,176	46,288	5.9x	n.m.	n.m.	23.4x	n.m.	n.m.
The Goodyear Tire & Rubber Company	United States	10,825	17,755	0.9x	5.8x	25.9x	5.0x	6.7x	7.5x
Thor Industries, Inc.	United States	7,068	7,306	1.0x	10.9x	18.5x	9.4x	10.5x	15.4x
Visteon Corporation	United States	3,670	3,233	0.8x	8.4x	n.m.	7.0x	9.6x	17.0x
Valuation multiples summary									
Group Average				1.3x	7.1x	13.4x	7.0x	8.5x	11.5x
Group Median				0.9x	6.3x	13.1x	5.3x	7.7x	10.0x
Group Maximum				5.9x	16.0x	26.2x	23.4x	15.4x	22.4x
Group Minimum				0.2x	2.3x	4.0x	2.3x	3.7x	5.2x

Source: Capital IQ, as of December 2016.

Global precedent transactions (CAD\$ millions)

					Valuation multiples	
Target	Acquirer	Country of target	Closed date	EV	EV/LTM sales	EV/LTM EBITDA
2016: Top 10 transactions						
GETRAG Getriebe- und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie KG	Magna International Inc.	Germany	4-Jan-16	3,455	1.4x	n.a
Affinia Group Holdings Inc.	Mann + Hummel Holding GmbH	United States	4-May-16	1,749	n.a	n.a
CGS Holding a.s.	Trelleborg AB	Czech Republic	31-May-16	1,662	1.9x	n.a
Alliance Tire Group	The Yokohama Rubber Company, Limited	Israel	1-Jul-16	1,646	3.2x	35.3x
SUMEC Group Corporation	Changlin Company Limited	China	29-Oct-16	1,626	0.2x	n.a
Alliance Tire Europe BV	The Yokohama Rubber Company, Limited	Netherlands	1-Jul-16	1,564	2.2x	n.a
Punch Powertrain nv	Yinyi Group Co., Ltd.	Belgium	31-Aug-16	1,494	3.1x	n.a
Key Safety Systems, Inc.	Ningbo Joyson Electronic Corp.	United States	2-Jun-16	1,291	n.a	n.a
Montupet SA	Linamar Corporation	France	18-Jan-16	1,233	1.7x	9.1x
Shanghai Huizhong Automotive Manufacturing Co., Ltd.	HUAYU Automotive Systems Company Limited	China	18-Jan-16	906	n.a	n.a
2015: Top 10 transactions						
ZF TRW Automotive Holdings Corp.	ZF Friedrichshafen AG	United States	15-May-15	14,472	0.8x	7.3x
Anhui Jianghuai Automobile Group Co., Ltd.	Anhui Jianghuai Automobile Co., Ltd. (nka:Anhui Jianghuai Automobile Group Corp.,Ltd.)	China	21-Apr-15	10,524	1.6x	n.a
Hyundai Hysco Co. Ltd.	Hyundai Steel Company	South Korea	1-Jul-15	2,395	0.5x	5.9x
Veyance Technologies, Inc.	ContiTech AG	United States	30-Jan-15	2,110	0.9x	7.1x
C.R. Laurence Co., Inc.	Oldcastle BuildingEnvelope, Inc.	United States	3-Sep-15	1,718	n.a	n.a
Armored Autogroup Parent Inc.	Spectrum Brands Holdings, Inc.	United States	21-May-15	1,686	3.2x	12.3x
Remy International, Inc.	BorgWarner Inc.	United States	10-Nov-15	1,525	1.0x	9.3x
Eagle Ottawa, LLC	Lear Corporation	United States	5-Jan-15	926	n.a	n.a
Delphi Automotive PLC, Thermal Business	MAHLE Behr GmbH & Co. KG	United Kingdom	1-Jul-15	910	0.5x	n.a
Stackpole International Inc.	Johnson Electric International (UK) Limited; JE International Engineered Products Canada Limited; JE International Powder Metal Canada Limited	Canada	27-Oct-15	867	1.8x	10.6x
2014: Top 10 transactions						
Pinafore Holdings B.V.	The Blackstone Group L.P.	Netherlands	3-Jul-14	7,708	2.4x	12.6x
Firth Rixson Limited	Alcoa IH Limited	United Kingdom	19-Nov-14	3,214	3.0x	n.a
Oerlikon Metco Management AG	Oerlikon Balzers Coating AG	Switzerland	2-Jun-14	1,230	n.a	n.a
Schrader International, Inc.	Sensata Technologies B.V.	United States	14-Oct-14	1,094	2.2x	19.5x
Grede Holdings LLC	American Securities	United States	2-Jun-14	906	0.8x	n.a
Zhengzhou Jingyida Auto Parts Co., Ltd.	Zhengzhou Yutong Bus Co., Ltd.	China	24-Dec-14	784	1.4x	n.a
Jason Incorporated	Jason Partners Holdings Inc. (nka:Jason Industries, Inc.)	United States	30-Jun-14	595	0.8x	6.7x
Hercules Tire & Rubber Company, Inc.	American Tire Distributors, Inc.	United States	31-Jan-14	482	0.7x	18.8x
Nedfast Investment B.V.	Shanghai Prime Machinery Company Limited	Netherlands	25-Aug-14	480	0.6x	6.6x
Rexair Holdings, Inc.	Sunbeam Products, Inc.	United States	29-Aug-14	377	n.a	n.a
Valuation multiples summary						
Group Minimum				377	0.2x	5.9x
Group Median				1,509	1.4x	9.3x
Group Average				2,354	1.6x	12.4x
Group Maximum				14,472	3.2x	35.3x

Source: Capital IQ, as of December 2016.

Recent transactions

KPMG advised on the following recent transactions:

KPMG Corporate Finance

CAN ART
ALUMINUM EXTRUSION INC.

has been acquired by

TORQUEST

Advisors to Can Art Aluminum
Extrusion Inc.:

**Bennett
Jones**

December 2016



NMT
AN IMT PRECISION PARTNER

KPMG Corporate Finance

acted as financial advisor to
IMT Group on its sale of
Nitrex Metal Technologies
to Bodycote plc.

Bodycote

September 2016



**FLEETWOOD
METAL
INDUSTRIES**

KPMG Corporate Finance

acted as financial advisor to
Fleetwood Metal Industries on
its sale to Milestone Partners.



**MILESTONE
PARTNERS**

August 2016

Contact us

For more information on how our Automotive industry practice can help you,
please contact our KPMG in Canada professionals today.

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