



## **Is the Solution more Mergers & Acquisitions? (M&A in the Automotive Industry)**

Prof. Dr. Christopher Kummer

Automotive Fellowship International  
Winter Meeting  
5-6 November 2008,  
Marlow-on-Thames/UK

### Excerpt

Please note that this PDF is an excerpt of a presentation hold on November 6<sup>th</sup>, 2008 in Marlow-on-Thames and represents only part of the content.

Especially a complete section on “Making M&A deals successful” will not be disclosed as it is proprietary content.

## Contents

- Mergers & Acquisitions trends
- Profitability of consolidation and M&A
- Success & failure of M&A transactions by major players in the Automotive sector
- Making M&A deals successful (not disclosed)

06 November 2008

(C) 2008 IMAA

3

Top deals in the sector

The M&A wave is over – Is it for the Automotive industry?

## M&A TRENDS

06 November 2008

(C) 2008 IMAA

4

### Top 10 M&A Deals in the Automotive Sector this year\* – so far ...

Rank	Target	Country	Acquiror	Country	Value **	Status	Explanations
1	Audi AG	Germany	Porsche Automobil Holding SE	Germany	13,757	Pending	Porsche acquired the remaining 65.9% interest
2	Continental AG	Germany	Schaeffler KG	Germany	10,940	Pending	Tender offer
3	Daimler AG	Germany	Daimler AG	Germany	5,060	Intended	Repurchase of shares
4	Renault SA	France	Renault SA	France	2,900	Intended	Repurchase of shares
5	Scania AB	Sweden	Volkswagen AG	Germany	2,880	Completed	Volkswagen raised its interest to 37.73% from 20.89%
6	BMW AG	Germany	BMW AG	Germany	1,891	Intended	Repurchase of shares
7	Jaguar Cars Ltd	UK	Tata Motors Ltd	India	1,451	Completed	
8	Shanghai Automotive - Assets	China	Shanghai Bashi Indl Grp Co Ltd	China	819	Pending	Bashi Industrial Group Co Ltd acquired the auto-parts making assets of Shanghai Automotive Industry Corp.
9	Speed SpA	Italy	Pirelli & Co SpA	Italy	836	Completed	
10	Federal-Mogul Corporation	US	Thornwood Associates LP	Malaysia	593	Completed	Thornwood raised its interest from 25% to 75%

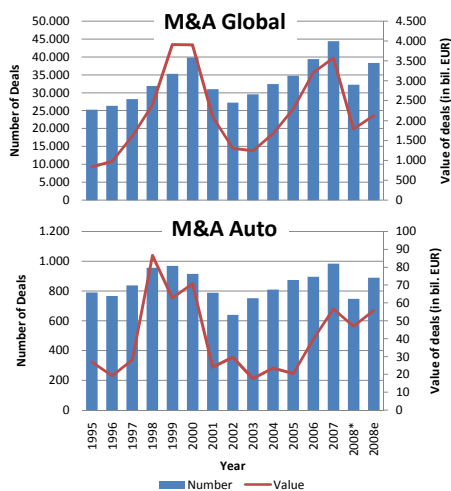
\* 2008 as of 03 November; \*\* in mil. EUR; Source: Thomson Financial, IMAA analysis

06 November 2008

(C) 2008 IMAA

5

### While the M&A wave globally is over – is it in the Automotive sector really too?



\* 2008 as of 03 November; Source: Thomson Financial, IMAA analysis

06 November 2008

(C) 2008 IMAA

6

The total number of **M&A deals globally** this year will be about **38,000 deals** with a total value of **2.100 bil. EUR**.

In comparison to 2007: - number: -14%  
- value : -41%.

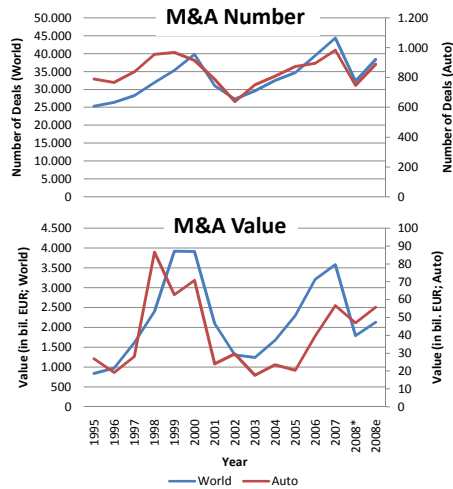
↳ **The Mergers & Acquisitions wave which has built up since 2002 is over!**

The number of M&A deals in the **Auto-motive industry** will be about **890 deals** with a total value of **56 bil. EUR**.

In comparison to 2007: - number: -10%  
- value: -2%.

↳ **Is the M&A wave in the Automotive sector over?**

There might be more M&A deals to come!



While the **number of M&A** in the Automotive sector in the second half of the 1990s has been higher than globally, it has moved **in line** with the overall trends.

The **value** of M&A deals in the Automotive sector has been rather **below** the general level of transactions globally.

Although we have experienced some mega “mergers” in this sector, the total value has been relatively low – we might have a misperception of what is really going on.

↓ **There might be more M&A deals to come!**

\* 2008 as of 03 November; Source: Thomson Financial, IMAA analysis  
06 November 2008 (C) 2008 IMAA

Industries: Automotive, Financial and Healthcare industries

Regions: US, Europe and Asia

## PROFITABILITY OF CONSOLIDATION AND M&A

## Profitability of consolidation and M&A by industry and region

Region	Automotive	Financial	Healthcare
US	0.00026	0.00013	0.00035
Europe	0.00132	0.00017	-0.00012
Asia	0.00038	0.00016	0.00015

### Findings:

- Return and M&A in the Automotive sector are usually higher than in other sectors.
  - Return and M&A in the Automotive sector in Europe is the highest.
- ⇒ **Consolidation and M&A deals in the Automotive industry by European players pay off.**

06 November 2008

(C) 2008 IMAA

9

Method of analysis - Event study of share prices

Sample companies & sample of deals

M&A transaction industry do create value – on average!

Automotive companies with M&A experience and mid-frequent deal involvement do the profitable deals!

Profitability of M&A Transactions by Company

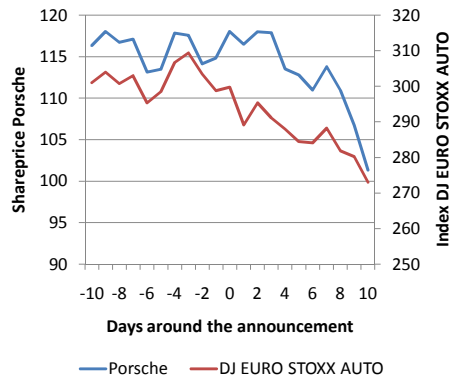
## **SUCCESS & FAILURES OF M&A TRANSACTIONS BY MAJOR PLAYERS IN THE AUTOMOTIVE SECTOR**

06 November 2008

(C) 2008 IMAA

10

### Method of analysis - Event study of share prices: The access return 21 days around the announcement of the event



Source: IMAA analysis

- Return from before and after 10 days of the announcement (21 days) are analysed.
- Shareprice of the company is compared with a regional industry index.
- Return on the share price vs. return on the index are compared to answer: has value been:
  - destroyed,
  - preserved or
  - created?
- Example (see left side): Porsche's announcement on 26 September 2005:
  - Porsche: - 12.9%
  - DJ Euro Stoxx Auto: -9.3%
  - Porsche's abnormal return: -3.6%

06 November 2008

(C) 2008 IMAA

11

### Sample companies: Major players in the Automotive sector

Rank	Company	Country	Market capitalization*
1	Volkswagen AG	Germany	117
2	Toyota Motor Corp.	Japan	95
3	Honda Motor Company Limited	Japan	34
4	Daimler AG	Germany	30
5	Audi AG	Germany	29
6	Nissan Motor Company Limited	Japan	19
7	BMW AG	Germany	17
8	Denso Corp.	Japan	14
9	Porsche Automobil Holding SE	Germany	11
10	Fiat Spa	Italy	10
11	Johnson Controls Inc	US	10
12	Renault SA	France	9
13	Hyundai Motor Company Limited	Korea	9
14	Mitsubishi Motors Corp.	Japan	6
15	Peugeot SA	France	6
16	Genuine Parts Company	US	5

\* as of 03 November; in bil. USD; Source: Thomson Financial

06 November 2008

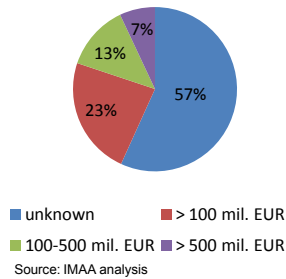
(C) 2008 IMAA

12

### Sample of deals

- All M&A transactions **since 1998** have been analysed, including acquisitions, divestitures and target.
- For **1,301 transactions** of the 16 companies access return could be calculated.

Size of transactions analysed



Rank	Company	Number of transactions
1...		...
2...		...
3...		...
4...		...
5...		...
6...		...
7...		...
8...		...
9...		...
10...		...
11...		...
12...		...
13...		...
14...		...
15...		...
16...		...

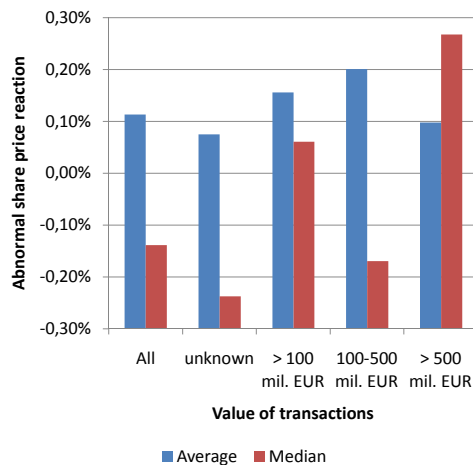
Source: IMAA analysis

06 November 2008

(C) 2008 IMAA

13

### M&A transactions in the Automotive industry do create value – on average!



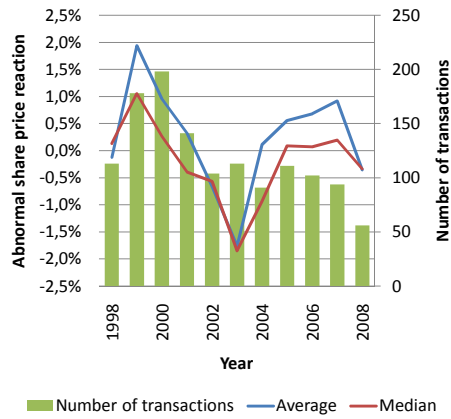
- **49% of all deals create value.**
- On average deals in the Automotive sector are profitable with **0.1% abnormal return.**
- 50% of all deals however destroy value by more than 0.14% (median).
- Deals with a known value create more value where transaction value is not disclosed. Transparency seems to be valued by investors.

06 November 2008

(C) 2008 IMAA

14

### Have M&A deals become more successful? M&A deals are most profitable when more deals are done



- Deals in the Automotive industry have become more profitable since 2003.
- While last year, they have been slightly profitable – this year positive deals are rare.
- Contrary to common sense, deals however are profitable during high times of M&A!

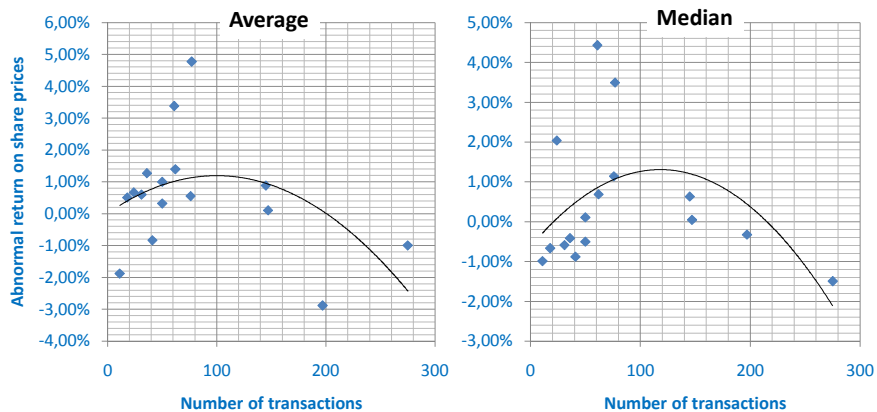
Source: IMAA analysis

06 November 2008

(C) 2008 IMAA

15

### Automotive companies with M&A experience and mid-frequent deal involvement do the profitable deals!



Source: IMAA analysis

Source: IMAA analysis

06 November 2008

(C) 2008 IMAA

16