

## Automotive Interiors & Exteriors Sector and M&A Report

2018

### Consolidation continues for Automotive Interiors & Exteriors

Automotive Interiors & Exteriors continues to benefit from strong industry trends, such as greater emphasis on vehicle differentiation and the integration of additional features. The global market is forecasted to grow by CAGR of 3.3%, reaching €316bn by 2020.

Consolidation continues to race along in the Interiors & Exteriors segment of the Automotive Suppliers market, driven by divestitures from conglomerates who are choosing to focus on more profitable 'core' activities. Strategic investors (primarily specialists) are seizing on the opportunity for ('bolt-on') acquisitions - to enhance and to diversify their product and customer portfolios, and to expand international footprints.

#### Key insights:

- The global market for Interiors & Exteriors was worth 277bn in 2016, and is forecast to grow by a CAGR of 3.3% between now and 2020, when it will be worth 316bn. Europe is home to most of the largest and most influential tier 1 suppliers - e.g. Faurecia (FRA), Plastic Omnium (FRA), International Automotive Components (LUX) and Grupo Antolin (ESP).
- There are four key growth drivers: an increase in global vehicle production; higher demand for premium vehicles; a greater emphasis on vehicle differentiation (using diverse Interiors & Exteriors designs and systems); and the integration of additional features such as 'human machine interfaces' (HMI) and other smart electronic devices.
- Listed Interiors & Exteriors players are currently valued at 5.0x EBITDA, on average, while the five-year average is 4.7x EBITDA. This represents a significant discount compared to the rest of the Automotive Suppliers due to their lower average margins & earnings.
- The M&A market is seeing large diversified conglomerates such as Visteon (US) and Magna (CAN) divest their Interiors & Exteriors business units to focus on more profitable 'core' activities. On the other hand, emerging specialists such as Grupo Antolin (ESP), Motherson Sumi and Yanfeng Automotive Interiors (CHI) are using M&A to break into Interiors & Exteriors' top ranks - these consolidation plays are being undertaken with the expectation of higher margins & earnings down the road.
- In 2017, consolidation among automotive seating suppliers continued apace: we saw Lear acquire Grupo Antolin's automotive seating business, and Adient acquire the US-based Futuris Group.



**Ferdinand Robert Schulhauser**  
Partner, Capitalmind

*"Interiors & Exteriors continue to be a hot area for M&A among Automotive Suppliers - over the last 12 months, we saw some spectacular deals in the seating suppliers segment. Looking forward, we expect deal activity to remain high in 2018, thanks to the favorable market outlook, fragmented competitive landscape and wide availability of interested strategic and PE investors."*

**Selected credentials in the Automotive sector**

 <p>acquired</p> <p>Independent aftermarket spare parts</p>	 <p>sold</p> <p>Axles for railways, metros and military vehicles</p>	 <p>completed a fundraising underwritten by</p> <p>Automotive fluids and performance fuels</p>	 <p>sold</p> <p>Electrical connectors, cable &amp; wire harnessing</p>	 <p>completed a fundraising underwritten by</p> <p>Axles for railways, metros and military vehicles</p>	 <p>acquired</p> <p>Plastic components</p>
 <p>was sold to</p> <p>supported by</p> <p>Paint coatings</p>	 <p>sold</p> <p>Industrial rubber</p>	 <p>completed a MBO with the support of</p> <p>System critical electronic</p>	 <p>was acquired by the management supported by</p> <p>Industrial painting</p>	 <p>Strategic review and shareholders exit</p> <p>Paint coatings</p>	 <p>restructured €300m of debt with</p> <p>Industrial rubber</p>

**Contact us**

Capitalmind has extensive experience in the Automotive sector.

If you would like to discuss this report in more detail or opportunities for your business, please get in touch.



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