



AUTOMOTIVE IQ

Challenges continue for Automotive M&A

M&A activity in the automotive sector has slowed in recent months and will continue to be challenging given both economic and industry-specific headwinds. In some cases, the need to address supply chain disruptions and/or enhance competitive positioning within the ACES (Autonomous, Connected, Electrified, Shared) environment will continue to drive M&A activity in spite of challenges standing in the way of getting deals across the finish line.

A case in point is Borg Warner's recent acquisition of Delphi Technologies for roughly \$3.2 billion. A meaningful transaction for bolstering Borg Warner's capabilities in the arena of electrified propulsion systems, the deal was originally announced in January 2020, placed on hold during the early months of the pandemic shutdowns, and finally completed just last week.

With financing sources currently reluctant to fund capital intensive automotive suppliers, we expect to see an increasing volume of divestitures of non-core assets and divisions to generate the funding needed to support ACES investments as well as other capital expenditures. Finally, the current pull-back in automotive sales and related production is certain to produce a meaningful volume of distressed M&A transactions over the next 12 to 18 months.

Companies with sufficient financial wherewithal will take advantage of this environment and actively pursue acquisitions of debt-burdened suppliers that further the buyer's strategic initiatives.

For our complete analysis, go to www.amherstpartners.com/AutomotiveIQ_3Q2020

Recent Deal Activity 2Q / 3Q 2020

September 3, 2020 – Ontario, Canada-based **Magna International, Inc. (TSX: MG)** acquired Jiangbei, China-based **Chongqing Hongli Zhixin Automobile Parts Manufacturing Co. (“Chongqing”)**. Chongqing is a leading independent seating supplier in China with capabilities in foam, trim, and structures, and has many well-established OEM customers. Magna’s leadership cited Chongqing’s strong position in the Chinese seating market as the key driver for the transaction that positions both companies for future growth opportunities. Terms of the transaction were not disclosed.

August 30, 2020 – Valley City, Ohio-based **Shiloh Industries, Inc. (NASDAQ: SHLO)**, a global supplier of lightweighting, noise and vibration solutions, announced that it had filed for Chapter 11 bankruptcy protection and entered into a stalking-horse asset purchase agreement with Grouper Holdings, LLC (“Grouper”), a subsidiary of Lexington, Kentucky-based MiddleGround Capital, LLC (“MiddleGround”) for \$218 million in cash. MiddleGround management cited Shiloh’s unique and attractive portfolio of innovative, lightweighting products and technologies as the driver for the transaction.

August 6, 2020 – Private equity firm **MiddleGround Capital, LLC** announced the acquisition of Auburn Hills, Michigan-based **Dura Automotive Systems (“Dura”)**. Dura is a global designer and manufacturer of highly integrated mechatronic systems and lightweight solutions. Dura supplies automotive OEMs and Tier One partners worldwide, with a presence on more than 300 platforms across all light vehicle and powertrain types. MiddleGround’s leadership cited Dura’s engineering capabilities and legacy of superior quality as drivers for the transaction. Terms of the transaction were not disclosed.

August 3, 2020 – Private equity firm **Turnspire Capital Partners** announced the acquisition of Fairlawn, Ohio-based **Goodyear Air Springs** from **EnPro Industries, Inc. (NYSE: NPO)**. Goodyear Air Springs is a leading provider of premium air springs for trucks, trailers, buses, and specialty vehicles. Turnspire leadership cited Goodyear Air Springs’ legendary brand name, unparalleled reputation for quality, best in class reliability, and superior service as drivers for the transaction. Transaction consideration included \$32.0 in cash at close and a long-term promissory note with a face value of \$7.5 million.

August 3, 2020 – Longmont, Colorado-based **Specialty Products Company** announced the acquisition of Henderson, Colorado-based **Peterson Fluid Systems, Inc. (“Peterson”)**. Peterson is a designer and manufacturer of

performance oiling and fluid system components, offering oil pumps, tanks, filters, and associated plumbing for motorsport applications. Specialty Products management cited Peterson’s R&D and manufacturing capabilities as key drivers for the transaction. Terms of the transaction were not disclosed.

July 31, 2020 – Westfield, Indiana-based **Indiana Mills & Manufacturing, Inc.**, a manufacturer of safety restraints, belts, and seating completed the acquisition of High Point, North Carolina-based **SynTec Seating Solutions, LLC (“SynTec”)**. SynTec manufactures school bus seating and occupant restraint systems. Indiana Mills & Manufacturing management cited SynTec’s manufacturing capabilities as the driver for the transaction. Terms of the transaction were not disclosed.

July 31, 2020 – Cleveland, Ohio-based **First Brands Group, LLC**, a global automotive parts manufacturer, announced the acquisition of McHenry, Illinois-based **Brake Parts, Inc. (“BPI”)**, which manufactures and markets brake products including the full line of Raybestos branded brake parts, and Albion, Illinois-based **Champion Laboratories Inc. (“Champion”)**, a full-line filtration manufacturer with LuberFiner as a leading brand. First Brands Group management cited Raybestos and LuberFiner as being important and natural complements to First Brands’ existing vehicle maintenance and vehicle repair product solutions. Terms of the transactions were not disclosed.

July 28, 2020 – Seoul, South Korea-based **Hyundai Motor Company (KOSE: A005380)** announced the acquisition of **General Motors’ St. Petersburg, Russia-based factory**. The GM factory is capable of manufacturing up to 100,000 cars per year. It was built in 2008 but closed in 2015 as part of GM’s decision to reduce its international operations. Terms of the transaction were not disclosed.

May 29, 2020 – Beijing, China-based **Volkswagen (China) Investment Co. Ltd.** signed a Share Transfer Agreement to acquire a 26% stake in Hefei, China-based **Gotion High-Tech Co, Ltd. (SZSE: 002074)** for approximately \$1.2 billion, becoming the largest shareholder and making Volkswagen the first global automaker to invest directly in a Chinese battery supplier. Gotion engages in the research, development, and production of lithium-ion batteries and materials. Volkswagen leadership cited the opportunity for the company to gain deeper knowledge in the field of batteries as the driver for the transaction.

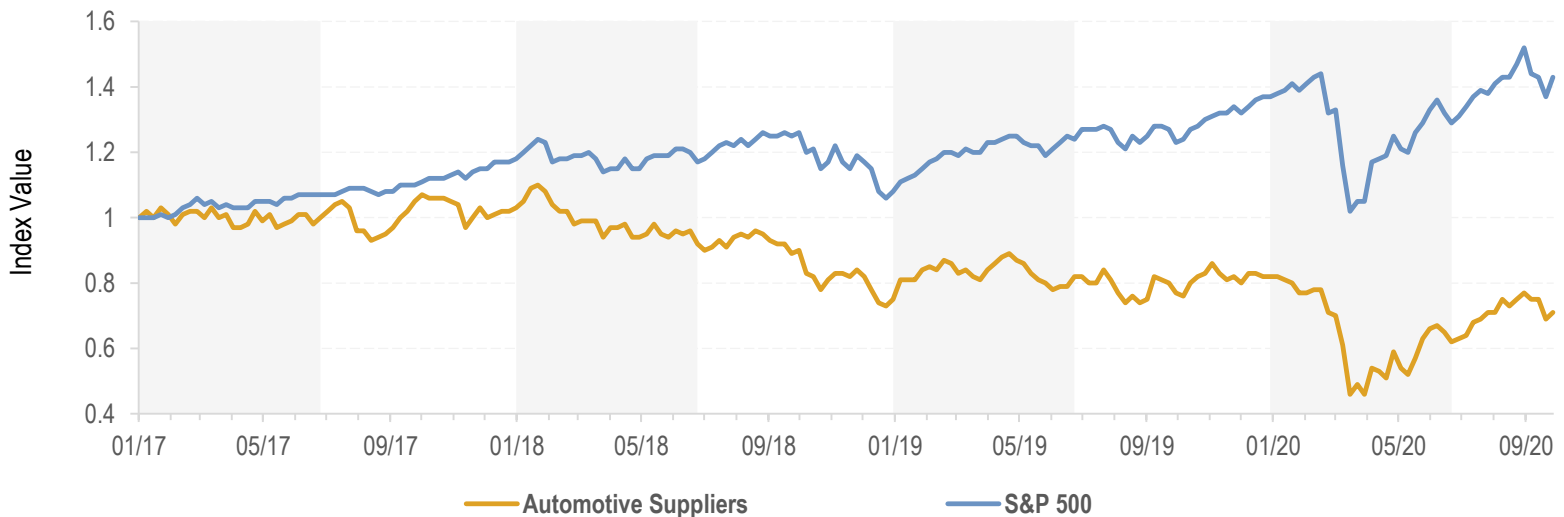
Automotive Supplier Trading Multiples

Company	9/30/2020	Quarterly	Market	Total	LTM		Margin		Net Debt /	Enterprise Value / LTM	
	Stock Price	Price Δ			Cap.	EV ¹	Revenue	EBITDA		Gross	EBITDA
American Axle & Manufacturing	\$5.77	(21%)	\$654	\$3,953	\$4,966	\$608	11%	12%	5.4x	0.8x	6.5x
BorgWarner Inc.	38.74	10%	8,029	9,237	8,756	1,314	19%	15%	0.8x	1.1x	7.0x
Cooper Tire & Rubber Company	31.70	16%	1,595	1,719	2,482	290	16%	12%	0.3x	0.7x	5.9x
Dana Incorporated	12.32	5%	1,780	4,369	7,155	616	10%	9%	3.5x	0.6x	7.1x
Gentex Corporation	25.75	(1%)	6,329	5,992	1,605	443	34%	28%	NM	3.7x	13.5x
Gentherm Incorporated	40.90	5%	1,336	1,341	835	104	28%	12%	0.1x	1.6x	12.9x
The Goodyear Tire & Rubber	7.67	(13%)	1,787	8,832	12,715	614	17%	5%	7.6x	0.7x	14.4x
Johnson Controls International	40.85	19%	30,394	38,356	22,637	2,442	33%	11%	2.3x	1.7x	15.7x
Lear Corporation	109.05	1%	6,537	8,819	16,545	1,115	7%	7%	1.6x	0.5x	7.9x
Meritor, Inc.	20.94	5%	1,514	2,568	3,314	295	13%	9%	3.2x	0.8x	8.7x
Modine Manufacturing Company	6.25	14%	320	799	1,794	113	15%	6%	3.5x	0.4x	7.1x
Standard Motor Products, Inc.	44.65	8%	998	1,100	1,051	101	29%	10%	0.9x	1.0x	10.9x
Stoneridge, Inc.	18.37	(8%)	496	607	676	30	24%	5%	3.0x	0.9x	19.9x
Superior Industries International	1.25	(25%)	32	812	1,108	97	5%	9%	6.0x	0.7x	8.3x
Tenneco Inc.	6.94	(6%)	564	6,407	14,935	805	13%	5%	6.8x	0.4x	8.0x
Median⁽²⁾							16%	9%	3.1x	0.8x	8.3x
Mean							18%	10%	3.2x	1.0x	10.3x

(1) EV ("Enterprise Value") is defined as market capitalization plus net debt, preferred equity and minority interest.
 (2) Median and mean values exclude all non-meaningful values.

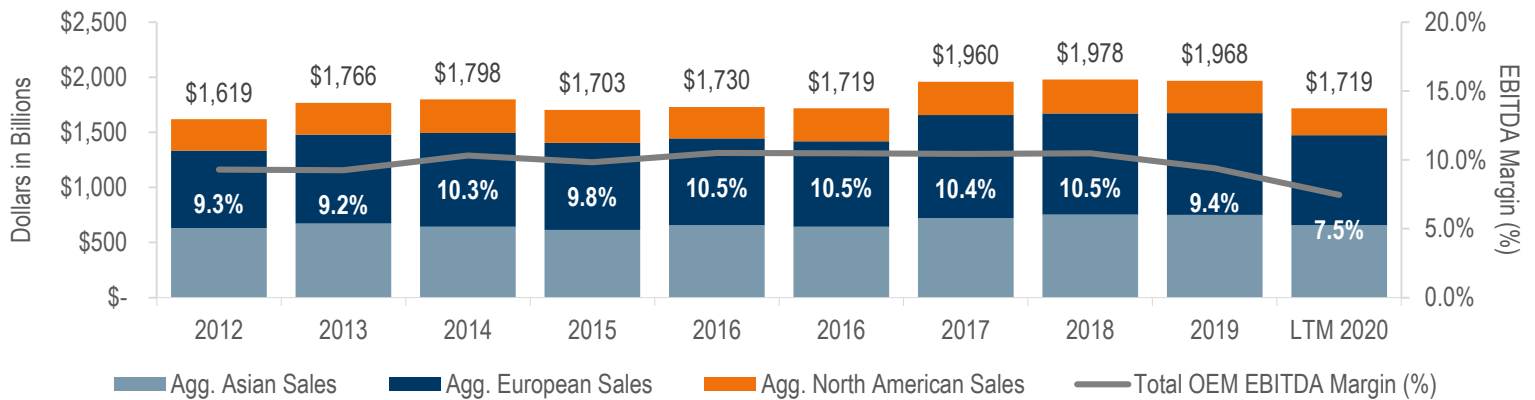
Source: Capital IQ (as of September 30, 2020)

AmherstPartners Automotive Supplier Index

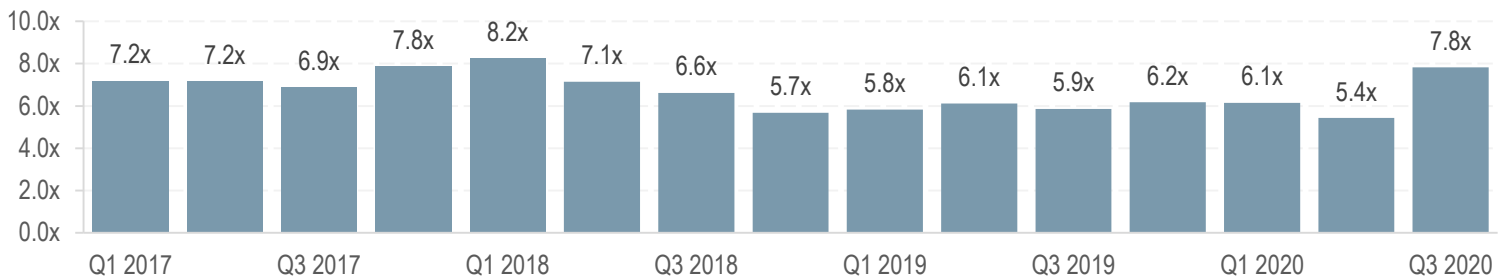


Source: Capital IQ

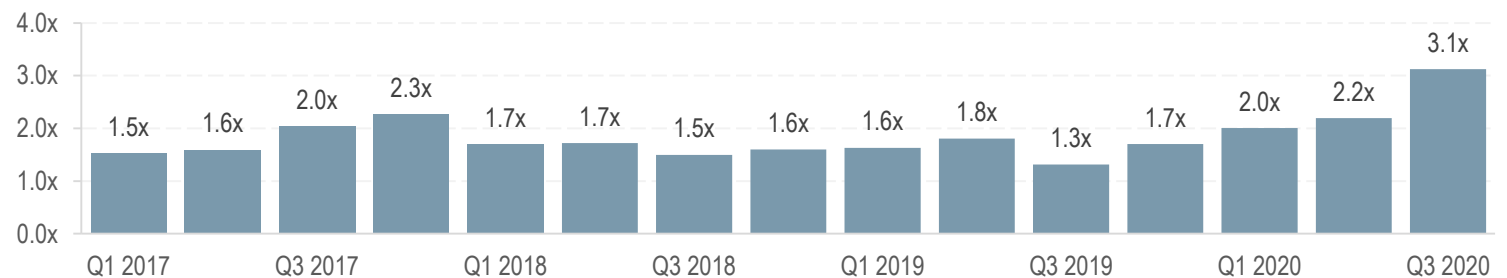
Global OEM Aggregate Sales and EBITDA Margin



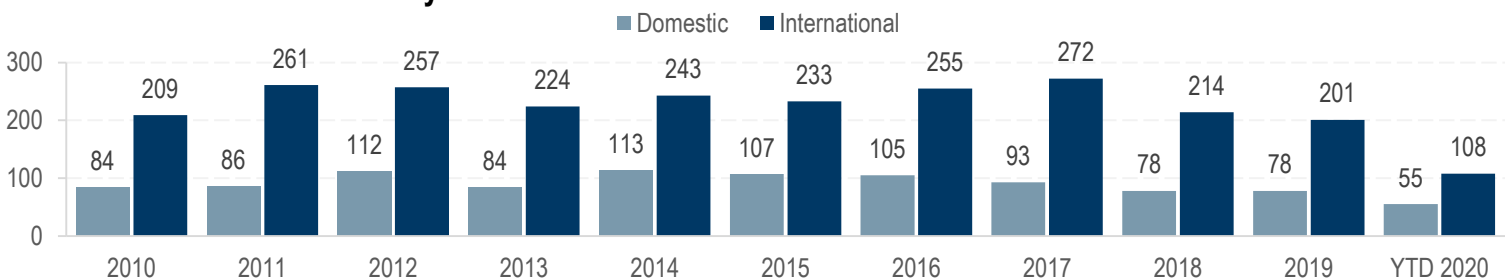
Supplier Index - Median Enterprise Value/LTM EBITDA



Supplier Index - Median Net Debt/LTM EBITDA



Global Automotive M&A Activity



Search Criteria: (1) Automobiles and Components (primary);
 (2) Mergers or acquisitions for majority control;
 (3) Transactions announced date (including bids and letters of intent)

Sources: Capital IQ, OneSource, SEC filings, company information and Amherst research.

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- Capital Raising
- Restructuring Advisory
- Management Consulting

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