

AUTOMOTIVE SECTOR UPDATE Q4-2023

M&A Environment – Global/Germany

February 2024

VORSCHAU

What's the state of the auto sector as 2024 begins?

- 1 Global car production unit trend**
 - ▶ Global car production will continue to grow in 2024, however, at a slower pace compared to 2023
 - ▶ Globally, production should increase by 1.8% y/y while Europe and China are expected to outperform the market
 - ▶ Looking at “peak to trough” levels (2019 as peak reference), there is ample headroom for continued expansion of global car production. European car production 2019 (in units) was ~20% above 2023 figures. In the US, last year’s car production was also still ~10% below the 2019 peak. Although it is uncertain if the market will ever return to 2019’s car production highs, comparison with 2023 demonstrates the potential market upside
 - ▶ Since 2019, around 9m units of additional production capacity has been added worldwide, equalling 10% of global production capacity. Around 60% of this capacity has been added in China, ~20% in North America, ~15% in South Asia and ~5% in Europe and Latin America
- 2 What is up in China?**
 - ▶ China witnesses a drastic change in OEM market share – legacy OEMs (GM, Ford, and VW) steadily declined in market share since 2019
 - ▶ As a result of the rise of electric vehicles, BYD, Tesla and Geely have continuously increased their market share in China. In 2023, the three EV manufacturers owned ~20% market share in China, which equals the market share of VW and GM combined
 - ▶ Foreign premium OEMs (BMW, Mercedes-Benz, and Audi) increasingly employ discounts as a means to maintain market share in China
 - ▶ The SUV market share in volume is continuously expanding in China and stands now at ~50%, up from ~38% in 2016. While German OEMs have managed to maintain their position, Chinese OEMs have tremendously gained market share and now own ~50% of the SUV segment
- 3 Chinese OEMs in Europe**
 - ▶ Global competition is steeply rising and legacy car makers are facing two main risks as a result of the increasing competition from China
 - Shifting market shares amongst OEMs – particularly in China, where established players lost 20%+ market share over the last 20 years
 - Especially in Europe, Chinese exports have already captured 5%+ market share in FY22, with a high probability of continued growth
 - ▶ It seems realistic that Chinese carmakers could hold up to 8% market share in Europe (as BEV penetration can hit 100% in 10 years)
 - ▶ The EU’s measures regarding Chinese imports remain uncertain, given that cars exported from the EU into China face higher import tariffs than equivalent vehicles imported into Europe from China
 - ▶ BEV penetration is highest in China (20%+) followed by the EU (~15%) and the US (~8%)
- 4 Raw materials**
 - ▶ Raw materials like steel, rubber and aluminium peaked in late 2021 / early 2022 with automotive raw materials falling 10%+
 - ▶ Battery cell costs peaked at the end of Q2-2022. Although prices fell steeply since then (-50%), they remain above 2018/19 average levels
 - ▶ Sourcing an NCM811 battery (60kWh) is now approximately USD 5k less expensive than at peak levels in 2022

Executive summary – Automotive Suppliers Q4-2023

M&A sentiment – the “big picture”

 Global

 No. of deals **124** in Q4-2023
69 in Q4-2022

 Transaction Volume **€9.9bn** in Q4-2023
€4.0bn in Q4-2022

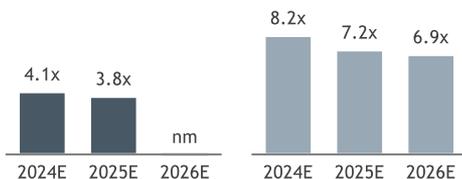
 EV/EBITDA (x) **7.1x** LTM Dec-23
EV/Sales (x) **0.8x** LTM Dec-23
(median-based)

Trading multiples¹ – selection

 European suppliers

EV/EBITDA (x)

EV/EBIT (x)



 Germany

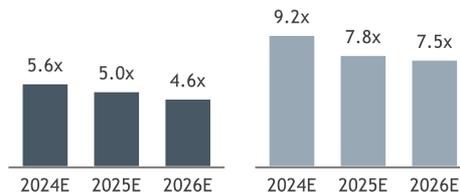
 No. of deals with German targets **8** in Q4-2023
3 in Q4-2022

 Private Equity involvement **63%** in Q4-2023
33% in Q4-2022

 North American suppliers

EV/EBITDA (x)

EV/EBIT (x)



Selected deal highlights

– 9th October 2023 –

Schaeffler to acquire 50.1% stake of Vitesco Technologies Group

▶ Listed German Schaeffler AG (XTRA:SHA) has signed an agreement to acquire 50.1% of Vitesco Technologies Group AG (XTRA:VTSC), listed German manufacturer and developer of electronic control components for automotive powertrains and engines. The consideration is €1.9bn, €94 per share. The completion of the overall transaction is expected to take place in the fourth quarter of 2024

SCHAEFFLER

to acquire
50.1% of

vitesco
TECHNOLOGIES

€1.9bn
EV/Sales: 0.4x
EV/EBITDA: 5.9x

– 2nd October 2023 –

AUO Corporation to acquire Behr-Hella Thermocontrol

▶ Taiwanese AUO Corporation has signed an agreement to acquire Behr-Hella Thermocontrol GmbH, a German manufacturer of electronic climate control panels from MAHLE GmbH & Hella GmbH & Co KGaA. The consideration is €600m. The transaction is subject to approval by the relevant foreign trade and antitrust authorities and is expected to close by mid 2024

AUO

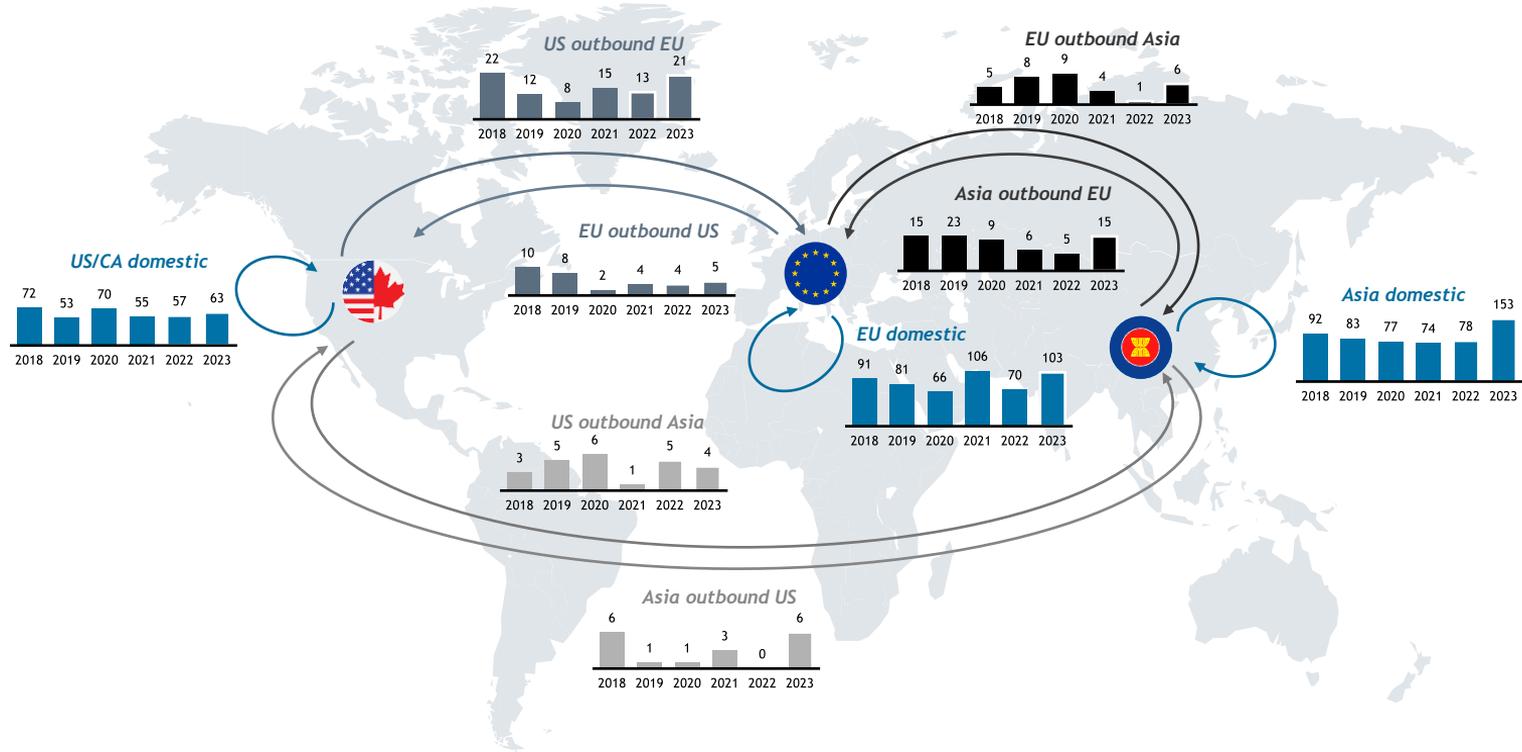
to acquire

BHTC

€600m
EV/Sales: 1.0x
EV/EBITDA: 7.8x

Global Automotive M&A transaction deal flow

In 2023, 85% of global M&A deals were of domestic nature



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