



FEE-FI-FO-FUM

How Car Brands Are Bought And Sold And Who Might Be Next

- The PSA deal for Opel / Vauxhall has created interest in further M&A
- Takeovers of entire companies are historically relatively rare
- Buying brands (e.g. Opel) or part ownership is far more common
- Deals are often based on emotion as well as acumen and history is relevant
- There are several companies or brands that may catch a buyer's eye
- Likely interest from companies with portfolio gaps and technology companies looking to pair driverless technology with mechanical know-how
- Substantial controlling interests remain -- deals rely on chemistry as well as compelling business logic

Question:
**What does past history
tell us about automotive
M&A?**

Answer:

There is a history of buying and selling brands and equity ownership.

WHOSE BRAND IS IT ANYWAY?

		THE OWNERS															
		BMW	Daimler	Fiat Chrysler	Ford	Geely	General Motors	Honda	Hyundai	Mazda	Mitsubishi	Nissan	PSA	Renault	Tata	Toyota	VW
BRANDS WITH COMPLEX OWNERSHIP HISTORY	Alfa Romeo			1986 -		2000 - 2005											
	Aston Martin		2013 -		1987* - 2007												
	Audi		1958* - 1964														1964 -
	Citroën			1968 - 1973		2012 - 2013						1974* -					
	Chrysler		1998 - 2007														
	Dodge		1998 - 2007	1928 -													
	Fiat					2000 - 2005											
	Hyundai		2000 - 2004								1976 - 2003						
	Isuzu					1971* - 2006										2006 -	
	Jaguar				1990 - 2008										2008 -		
	Jeep		1998 - 2007	1987 -									1979* - 1987				
	Kia				1986 - 1998			1998 -	1983 - 2000								
	Lamborghini			1987 - 1994													1998 -
	Land Rover	1994 - 2000			2000 - 2008			1989 - 1994							2008 -		
	Lotus					2017^ -	1986 - 1993									1982 - 1986	
	Maserati			1989* -									1968* - 1975				
	Mazda				1979* - 2015												
	Mercedes-Benz																
	Mitsubishi		2000 - 2005	1971 - 1993										2010 -	2010 -		
	Nissan		2010 -														
	Opel						1929 - 2017^										
	Peugeot					2012 - 2013											
	Proton					2017^ -						1985* - 2005					
	Ram		1998 - 2007														
	Renault		2010 -														
	SEAT			1948 - 1982													1986* -
	Subaru						2000 - 2005									2005 -	
	Suzuki						1981* - 2008										2010 - 2015
Tesla		2009 - 2014													2010 - 2016		
Vauxhall						1925 - 2017^							2017^ -				
Volvo				1999 - 2010	2010 -												

Current Owner	Current Part Owner	Former Owner	Former Part Owner
---------------	--------------------	--------------	-------------------

* Ownership stake built over time

^ Transaction not yet completed



RESCUE (DISTRESSED SALE)

- Fiat buying Chrysler
- Geely buying LTI
- GM buying Lotus
- Ford buying Aston Martin
- Peugeot buying Citroën
- Chrysler buying AMC
- Fiat buying Maserati & Alfa
- VW buying SEAT



DIVESTITURE

- BAE selling Rover
- Ford selling JLR, Volvo, Aston Martin
- GM selling Opel / Vauxhall
- GM selling Africa operations to Isuzu



TAKEOVER OF GOING CONCERN

- Daimler Chrysler
- Toyota buying Daihatsu
- Ford buying Jaguar
- GM taking control of Saab
- VW buying Porsche

Question:
**What does this mean for
car brands and companies
today?**

Answer:

Mega deals are unlikely, but brands and regional operations may be for sale.

Technology giants are potential suitors.

THE LAY OF THE LAND

	Alfa Romeo	Aston Martin	BMW	Chrysler	Dodge	Fiat	Ford	GM	Isuzu	Jaguar	Jeep	Land Rover	Maserati	Magna *	Mazda	McLaren	Ram	Subaru	Suzuki	Tesla	Volvo	
Could Be Interested In Divesting Assets							S. America / EMEA	S. America / ASEAN														
For Sale! Let's Agree a Price																						
(I'll deny this, but...) Make Me An Offer I Can't Refuse																						
Interesting To Another OEM	VW / PSA	Daimler				PSA			Toyota		PSA / GM				Toyota		PSA / GM	Toyota	Toyota			
Interesting (And Affordable) For Tech Giant IP Acquisition																						
Available In Theory -- Moon Shot For A Tech Giant																						

* Not an OEM

Pretty intuitive list of “stable” companies, either too big or seem happy enough...

- Too big to chew -- Toyota, VW, GM, Daimler, Ford
- Seem happy enough -- Renault, Nissan, Mitsubishi, Hyundai / Kia, PSA
- Don't seem to like playing with others -- Honda
 - Note that Honda has close historic ties to Mitsubishi group companies
 - Hasn't been publicly interested in M&A since the sale of Rover (1994)

- **Potential IPO Candidates**
 - Aston Martin -- rumoured IPO timing of Q1 2018
 - McLaren -- Bahrain SWF previously interested in sale, board breakdown
- **Already On The Block**
 - FCA has effectively been up for sale since 2015
 - Brands include: Alfa Romeo, Chrysler, Dodge, Fiat, Jeep, Maserati, Ram
 - Could be sold in parts
- **Value-minded owners -- may need the cash**
 - Jaguar Land Rover -- continues to operate with a high degree of independence from Tata and report financial results separately
 - Underperforming GM or Ford assets -- focus on South America

SMALLER OEMS AT RISK -- IS TOYOTA THEIR SUITOR?

Four Japanese companies stand out as looking vulnerable in terms of both resistance to shocks and problems meeting increased R&D demands

- **Suzuki -- already concerned about R&D spending, history of part owners**
 - Non-equity alliance with Toyota around small vehicles
- **Mazda -- Long period of part ownership and technology sharing with Ford**
 - Non-equity alliance with Toyota
- **Subaru -- History of part owners and JVs (including with Isuzu)**
 - Toyota minority stake since 2005, joint vehicles
- **Isuzu -- History of part owners and JVs**
 - Toyota minority stake since 2006, may be attracted by Africa business

IF YOU WERE A TECH GIANT...

- **Companies may be of interest for their brand and product know-how**
 - Similar to Google / Motorola and Microsoft / Nokia rationale
- **Automotive manufacturers could have considerable legacy liabilities...**
- **Bitesize -- buy a company with good brand and experience that is sub-scale**
 - Aston Martin or McLaren (rumour mill has been here before)
- **Digestible -- buy a business with good scale that isn't a bet-the-company risk**
 - Jeep or Maserati (as standalone businesses), JLR -- less than \$10 billion?
- **Shoot for the Moon -- pay a massive price for a marquee franchise**
 - BMW, Tesla or Audi -- even \$100 billion might not be enough...
 - But why pay above book value for assets you are trying to render obsolete?

What massive deals could have an industrial logic?

- “Keep it in the family” -- assets of the Quandt (BMW), Agnelli/Elkann (FCA) and Peugeot (PSA) families have significant synergies, but who would be in control?
- “The global champion” -- Renault-Nissan seems best placed to be the hub of a new super-group but prefer equity purchases to full-scale takeovers
- “Going Dutch” -- GM and PSA could split a company like FCA between them to create a European (PSA/Fiat) and North America (GN/Jeep/Ram) champion
- “Vive la revolution” -- The French government engineer a merger of the Renault-Nissan alliance and the expanded Groupe PSA
- “The asset dump” -- cash out before the market calls “peak auto”

POWERFUL SHAREHOLDERS REMAIN

GM, Daimler and Honda are the exceptions...

Company	Major Shareholder	Voting rights	Day-to-day control
BMW	Quandt family	About 46%	Board membership
FCA	Agnelli / Elkann family	42.6%	Chair of the Board
Ford	Ford family	About 40%	Chair of the Board
Hyundai	Chung family	Complex, but over 20%	CEO & Chair of the Board
Nissan	Renault	43.4%	Sharing of executives
PSA	Peugeot family, French government, Dongfeng	13.7% / 13.7% / 13.7% (*)	Chair & other board members
Renault	French government (note: Nissan's 15% stake has nil voting rights)	19.7% (*)	None
Suzuki	Suzuki family	Complex, keiretsu-like	CEO & Chair of the Board
Tesla	Elon & Kimbal Musk	Nearly 30%	CEO, Chair & other board seat
Toyota	Toyoda family	Complex, keiretsu-like	CEO
VW	Porsche & Piech family / Lower Saxony / Qatar	52.2% / 20.0% / 17.0%	Board membership

* French law allows the stake of long-term shareholders to be doubled -- this is not included in the shareholdings above

WHAT IS MOST LIKELY?

- **Tech Companies rushing for affordable assets**
 - Smaller companies like Aston Martin, Lotus and McLaren would be right
 - JLR and Jeep could also look interesting -- could Magna make a move?
- **Sell brands not companies**
 - FCA could sell brands liability-free (Opel-esque), leaving a bad bank
 - Poorly performing regional assets of GM and Ford under review
- **Toyota acting as safety net**
 - No sudden moves unless needed, but Toyota stands ready to absorb Suzuki, Mazda, Subaru and Isuzu (hostile takeovers likely out of the question)
- **FCA aside, major shareholders refuse to dilute control**
 - But if they do, anything becomes possible

- Taking over entire companies is historically rare, more common to buy brands
- Further regional divestitures could take place after GM-E and GM Africa
- Several companies or brands appear available
- Japan seems headed for a Big 3 -- Toyota, Nissan and Honda
- Tech companies are likely a source of new buyers
- Substantial controlling interests remain -- decrease in truly-public ownership seems to be a real trend
 - Shareholder desire to keep control will have a major influence on M&A

- Consultancy and research firm founded by an ex-automotive OEM insider
- Ad Punctum researches emerging trends and key issues ranging from the disruptive impact of on-demand mobility to Brexit
- Periodically publishes relevant research to make it freely available and drive understanding and debate on interesting topics
- Please contact sales@adpunctum.co.uk or visit www.adpunctum.co.uk to learn more about us and discuss any specific queries you might have



To find our latest research, please visit www.adpunctum.co.uk

Follow @Ad_Punctum on Twitter

© Ad Punctum 2017. All rights reserved.