Press Release

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| *Pages* | 3 |

**Global Automotive Industry M&A Activity Declined in First Half of 2012, According to PwC**

*Auto opportunities on the horizon in technology and emerging markets*

**Detroit, August 21, 2012** ― Global automotive industry merger and acquisition (M&A) activity slowed during the first half (H1) of 2012, according to PwC's automotive transaction services practice. In H1 2012, 264 deals closed with a disclosed value of $10.6 billion, reflecting a sizeable decline compared to H1 2011, which totaled 303 completed deals with a disclosed valued at $18.8 billion.

"Europe is taking a toll on global M&A deal activity," said Paul Elie, U.S. automotive transaction services leader, PwC. “Historically, Europe has been among the most active regions in automotive M&A. That said, opportunities exist for automotive companies from emerging countries like China and India to acquire technology or market access at favorable valuations in Europe.”

The current crisis and ensuing austerity measures significantly impacted the automotive industry with new car registrations declining by 6.3 percent through H1 of the year. PwC's Autofacts expects 2012 annual sales for Europe to decline by 7.3 percent to 12.6 million units, nearly 3.4 million units below the 2007 peak. Given the current manufacturing footprint in Europe, the region is now straddled with nearly 5.8 million units of excess light vehicle manufacturing capacity. These challenges have diminished the appetite and resources among European strategic buyers.

These challenges have also heightened the risks around European assets and exposure to the region. The current operating environment in Europe may translate into favourable valuations and an increase in inbound M&A activity geared towards acquiring technology and/or market access over the next 12 to 18 months.

Unlike Europe, North America underwent restructuring during the 2008 – 2009 recession, and is now attracting more investments. North American operations are also churning out significant profits, providing strategic buyers with the financial resources to execute M&A strategies. As a result, North American acquirers’ share of global M&A increased from 20 percent in 2010 to 26 percent in the H1 of 2012. North American entities were also the most prominent cross-border acquirers, with 16 out of 46 cross border deals.

Asia was the most active region with more than a third of the global automotive M&A activity during the H1 of 2012. However, most activity was intra-regional, with 86 out of 98 transactions between Asian entities. With the domestic sales slowdown in both China and India, buyers from these markets may look for opportunities to augment domestic sales. These buyers are also likely to pursue technology deals to compete globally, as well as to defend against foreign competition.

**Component suppliers showing resilience**

While deal activity slowed across all categories, component suppliers were the most resilient, registering only a five percent decline in deal volume compared to 19 percent and 21 percent declines in vehicle manufacturers and other categories respectively. A recent PwC supplier consolidation study predicts sustained component supplier M&A activity, with sub-categories such as chassis and powertrain systems as the focal points. . Not surprisingly, the study also finds North American buyers as the most likely to drive M&A activity in the supplier space. This is due to their relative financial strength compared to Europe and Japan.

Consistent with the overall Automotive M&A deal market, both financial and trade buyers' M&A activity slowed during H1 of 2012 compared to H1 of 2011. However, the financial buyers’ share of M&A volume declined to 22 percent, levels not witnessed since the depths of the recession.

Similar to the overall M&A trends, financial buyer activity focused on component suppliers, with nearly 55 percent of their deals in this space. This is a significant change from last year, when financial buyers increased their focus on the others category, comprised of aftermarket, retail, repair, financial services, etc. From a regional perspective, financial buyers continued to shift away from Europe, gravitating toward deals in more stable economic and operating climates such as the U.S.

**Deal activity outlook positive**

PwC’s positive outlook for M&A stems from the fact that the global automotive sector is expected to add nearly 30 million units between 2012 and 2018. Given technological changes as well as industry fragmentation, M&A activity will likely continue to be an important option, although the timing for an increase remains uncertain.

According to Elie, " PwC maintains positive expectations for deal activity contingent upon the following conditions: Successful resolution of Europe’s sovereign debt crisis; Strong economic recovery in developed markets such as the United States and Japan; and Resumption of trend line economic growth in emerging markets like China and India."

**About PwC's Automotive Practice**

PwC's global automotive practice leverages its extensive experience in the industry to help companies solve complex business challenges with efficiency and quality. One of PwC's global automotive practice's key competitive advantages is Autofacts®, a team of automotive industry specialists dedicated to ongoing analysis of sector trends. Autofacts provides our team of more than 4,600 automotive professionals and our clients with data and analysis to assess implications, make recommendations, and support decisions to compete in the global marketplace.

**About Autofacts®**

Autofacts, PwC's automotive forecasting service, is a provider of automotive market analysis, strategy development, and competitive intelligence to the world’s leading vehicle manufacturers, automotive suppliers, and support organizations. Autofacts service offerings are available on-demand, for one-time purchase and through an annual subscription basis to access the on-line portal with Autofacts' proprietary data query tool. For more information regarding Autofacts, please visit their website at [www.autofacts.com](http://www.autofacts.com).

**About the Transaction Services Practice**

[PwC’s Deals](http://www.pwc.com/us/en/transaction-services) practitioners help corporate and private equity executives navigate transactions to maximize value and returns. In today's increasingly daunting economic and regulatory environment, experienced M&A specialists assist clients on a range of transactions from smaller and mid-sized deals to the most complex transactions, including domestic and cross-border acquisitions, divestitures and spin-offs, capital events such as IPOs and debt offerings, and bankruptcies and other business reorganizations. First we help clients with strategic planning around their growth and investment agendas and then advise on the business-wide risks and value drivers in their transactions for more empowered negotiations, decision making and execution. Clients can then expedite their deals, minimize their risks, capture and deliver value to their stakeholders, and quickly return to business as usual.

Our local and global deal strength is derived from over 1,400 deal professionals in 21 cities in the U.S. and over 9,800 deal professionals across a global network of firms in 75 countries. In addition, our network firm, PwC Corporate Finance, provides investment banking services within the U.S.

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