



Back on track: Automotive's resilience to COVID-19

SPOT ON | AUTOMOTIVE OEM SUPPLIERS | DECEMBER 2020

“Following the global halt in production in April and May, the Automotive industry has demonstrated resiliency and rebounded at an unexpected pace. Challenges to a full recovery remain, and we expect there will be an increase in M&A activity through 2021 as suppliers look to optimize scale, efficiency and cost structure.”

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MARKET TRENDS (pg.2)

We look at COVID-19's impact on production and the post-lockdown rebound in consumer demand, as well as investment in the electrical vehicle market.

VALUATION TRENDS (pg.6)

A review of the latest valuation trends, broken down by segment.

M&A OVERVIEW (pg.10)

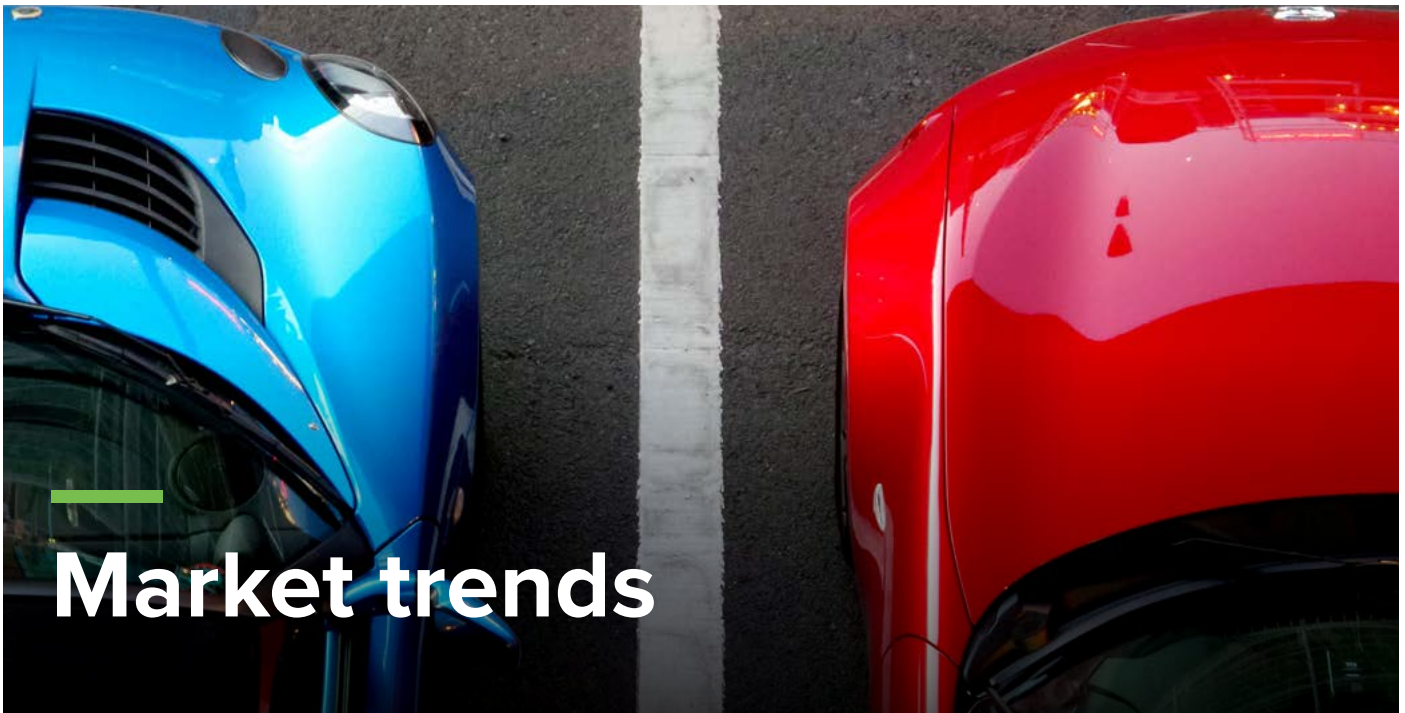
We chart deal volume and cross-border M&A, and summarize notable transactions closed in 2020.

MARKET TRENDS

The global automotive industry experienced a stunningly rapid decline in the first half of 2020. As a result of the COVID-19 pandemic, light vehicle production halted for nearly two months. This shutdown, in turn, had a cascading effect on the industry's supplier base. April represented a bottom for the industry, with light vehicle sales nearly 50% lower than levels in April 2019. With vehicle production stopped, many automotive companies repurposed their technical and manufacturing capabilities to produce much-needed personal protective equipment and to support the production of ventilators and other medical equipment.

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Market trends

Once regions began to ease stay-at-home restrictions and manufacturing and retail businesses began to reopen in May and June, consumer demand for vehicle ownership rebounded much stronger than expected.

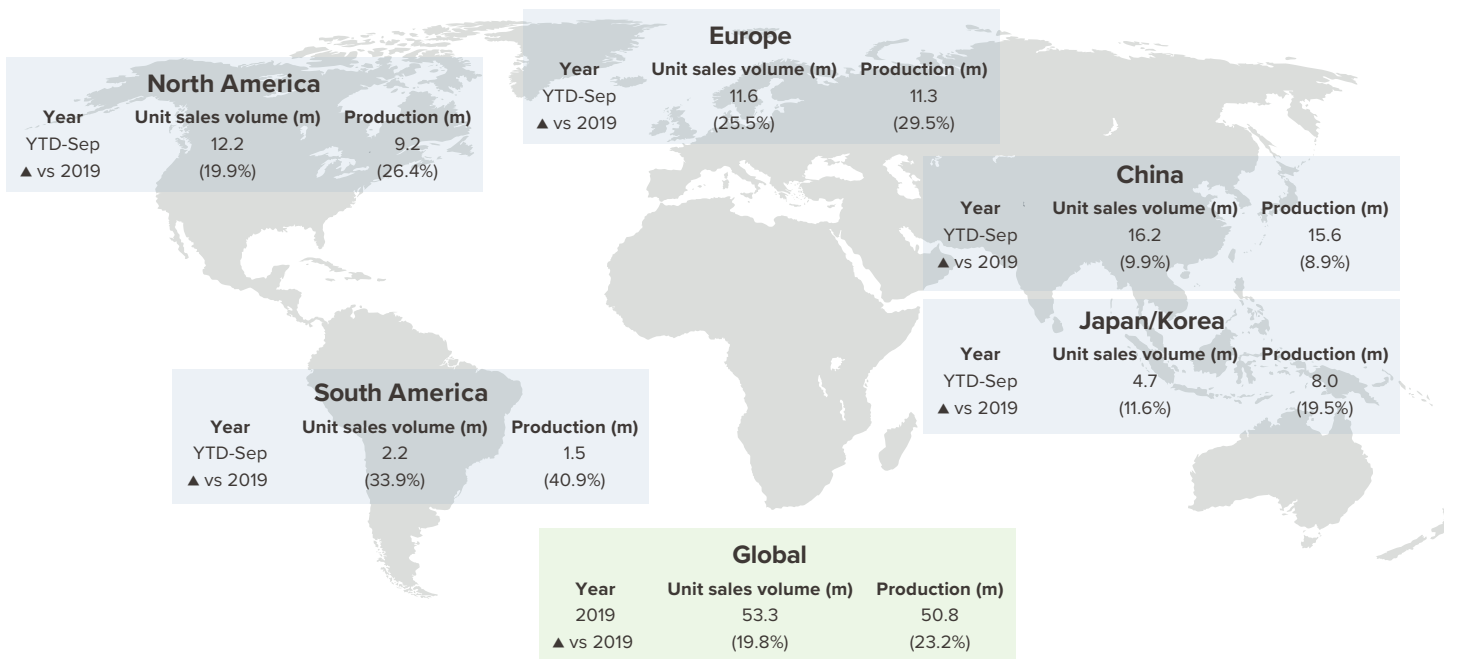
Consumers, emboldened by government stimulus and retail incentives, returned to the market faster than the industry could ramp up production, and this resulted in a depletion of vehicle inventories.

Production to rebuild inventory to normalized levels is expected to continue throughout the first half of 2021 in key North American and European markets, while China has enjoyed a faster recovery in production and sales.

IHS's recent 2020 global light vehicle production forecast of 73 million units is nearly 18% lower than 2019's production level. 2021 is expected to see global production reach 83 million

units in 2021, a 13.6% annual increase. Continued recovery will be dependent on the ability to mitigate a winter surge in COVID-19 cases, and the prognosis for the development and deployment of effective vaccines. Lack of progress on these fronts could stall the recovery with continued labor and supply chain disruptions and diminishing consumer demand in light of slower economic recovery.

Global light vehicle sales and production



Source: IHS Markit

CONDITIONS SET FOR INCREASED M&A ACTIVITY

The sharp and unexpected decline in production volumes in 2020 had a substantial impact on suppliers' profitability and liquidity. Many companies that entered 2020 with substantial levels of debt have already gone through bankruptcy or insolvency proceedings. Other companies that previously took on leverage to make acquisitions, fund capital expansion or for other growth initiatives will need to

navigate the recovery with a constant focus on operating efficiently and maintaining liquidity, with less ability to focus on future growth.

Facing a multi-year recovery for production volumes to return to previously forecast levels, suppliers will also face more intense competition and pressure on profitability margins. History has shown that well-capitalized

companies have benefited from pursuing acquisitions following a substantial economic contraction. We expect these factors will lead to an increase in M&A activity as suppliers look to optimize the allocation of fixed costs and future investments, enhance scale and technical capabilities, and to provide customer and geographic diversification.

FUTURE TRENDS: INVESTMENTS IN ALTERNATIVE POWERTRAIN SYSTEMS

Dating back to General Motors' 1996 launch of the EV1, through the subsequent development of the Nissan Leaf and Chevy Volt, there has been a steady rise in automakers' focus on producing electric vehicles (EVs). Tesla's emergence and subsequent rapid growth over the last decade has raised the profile for all EVs. A continued focus on reducing the use of fossil fuels and lowering CO₂ emissions has produced several government mandates prohibiting the sale of internal combustion engine vehicles, some of which are planned to commence as soon as 2030. Various government incentive schemes to entice consumers to purchase EVs have also been put in place to bolster demand.

While future adoption of EVs looks bright, EVs represented just 2.6% of total global vehicle sales in 2019. These 2.1 million units sold brought the total number in operation to 7.2 million.

Mass adoption still must overcome consumer concerns of EVs' price premium over traditional vehicles, battery range and charging times, slow development of charging infrastructure and the current limited selection of vehicles. Automakers are investing heavily to overcome these concerns and enhance their EV-powered product offering. Traditional original equipment manufacturers (OEMs) have announced unprecedented investments in EV technology and product development. In November alone, VW committed €73 billion to electric, hybrid and digital technologies over the next five years, and General Motors increased its planned investments in electric and autonomous vehicle development to US\$25 billion through 2025. BMW has committed €30 billion through 2025, and Ford previously announced more than US\$11 billion in investments. With this surge of investment, forecasts include as many as 300 nameplates

with electric powertrains planned for introduction in the next decade.

The substantial market potential has also drawn entrants that are solely focused on the production of EVs to the market. Investors who have seen the success of Tesla, and the more than 1,000% increase in its stock since May 2019, have made ample capital available to these companies. The record rise in popularity of special purpose acquisition corporations (SPACs) in the United States has allowed EV companies Nikola, Fisker, Lordstown Motors, Workhorse Group, Hylion, ElectraMeccanica and Ayro to go public in 2020, with Canoo and XL Fleet also announcing deals to go public via a SPAC. Chinese EV manufacturers Li Auto and Xpeng also had public listings on US exchanges in 2020, following Nio's listing of ADR on the New York Stock Exchange in 2018.














TRADITIONAL OEMS

Company	Country	% of 52 week high	Market cap.	Enterp. value	Rev. LTM	Net income LTM	Estimated							
							Revenue		Net income		P/E		TEV/Revenue	
							2021	2023	2021	2023	2021	2023	2021	2023
Toyota Motor Corporation		91.6%	198,007	348,875	246,697	13,564	282,464	328,833	18,674	21,348	10.4x	8.8x	1.2x	1.1x
Volkswagen AG		81.0%	94,040	289,254	260,100	5,385	286,773	321,851	13,006	17,019	7.0x	5.3x	1.0x	0.9x
Daimler AG		99.2%	70,443	218,238	181,793	39	200,342	216,833	7,801	9,834	9.4x	7.2x	1.1x	1.0x
BMW		96.2%	56,635	166,620	116,104	4,097	121,726	130,382	6,239	7,583	9.5x	7.2x	1.4x	1.3x
Ford Motor Company		91.3%	34,771	163,863	130,907	(163)	144,285	143,326	2,802	5,725	8.3x	5.6x	1.1x	1.1x
General Motors Company		97.5%	61,603	152,648	115,793	3,387	133,048	161,030	8,447	8,352	7.1x	7.4x	1.1x	0.9x
Honda Motor Co. Ltd.		91.3%	49,532	99,700	123,073	2,341	136,915	150,635	4,913	6,483	9.1x	4.7x	0.7x	0.7x
Hyundai Motor Company		92.4%	33,546	95,189	88,105	996	103,979	N/A	4,843	N/A	8.1x	N/A	0.9x	N/A
Nissan Motor Co. Ltd.		70.5%	18,311	77,742	75,551	(10,112)	91,593	108,198	595	2,371	(49.6x)	9.3x	0.8x	0.7x
Fiat Chrysler Automobiles N.V.		93.0%	24,054	23,836	103,019	0	116,264	123,427	3,672	6,331	6.5x	3.8x	0.2x	0.2x
Peugeot S.A.		83.9%	20,398	20,922	69,222	2,210	82,338	94,676	3,704	3,819	5.4x	5.3x	0.3x	0.2x
Kia Motors Corporation		94.0%	20,897	17,122	50,128	749	58,435	N/A	2,752	N/A	7.5x	N/A	0.3x	N/A
Mazda Motor Corporation		61.7%	3,858	5,281	26,922	(925)	29,812	31,812	144	424	(84.7x)	9.5x	0.2x	0.2x
Average							137,536	164,637	5,969	8,117	(3.5x)	6.7x	0.8x	0.8x
Median							121,726	143,326	4,843	6,483	(4.7x)	6.5x	0.8x	0.9x

Source: S&P Capital IQ; Estimates are S&P Capital IQ median estimates as of 20 November 2020

ELECTRIC VEHICLE OEMS

Company	Country	% of 52 week high	Market cap.	Enterp. value	Rev. LTM	Net income LTM	Estimated							
							Revenue		Net income		P/E		TEV/Revenue	
							2021	2023	2021	2023	2021	2023	2021	2023
Tesla Inc.		96.3%	464,102	466,203	28,176	556	43,811	66,908	3,330	4,880	127.8x	71.9x	10.6x	7.0x
NIO Limited		90.9%	66,953	66,046	1,836	(1,033)	4,262	6,088	(537)	190	(108.3x)	286.1x	15.5x	10.8x
XPeng Inc.		94.9%	37,413	35,111	535	(433)	2,090	N/A	(325)	N/A	(120.4x)	N/A	16.8x	N/A
Li Auto Inc.		93.4%	31,881	29,457	160	(305)	2,526	5,103	(46)	166	(1191.3x)	30.7x	11.7x	5.8x
Nikola Corporation		28.1%	10,132	9,230	0.1	(264)	75	1,225	(457)	(464)	(24.3x)	(24.9x)	123.1x	7.5x
Fisker Inc.		89.2%	4,519	4,496	NM	(46)	N/A	3,240	(87)	317	(56.2x)	16.0x	N/A	1.4x
Lordstown Motors Corp.		89.1%	4,365	4,364	NM	(20)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hyllion Holdings Corp.		55.9%	3,863	3,863	NM	(21)	8	994	(132)	N/A	(32.9x)	N/A	492.9x	3.9x
Workhorse Group Inc.		83.2%	3,107	3,150	0.7	(210)	137	468	(53)	39	(61.4x)	79.3x	23.1x	6.7x
Electra-Meccanica Vehicles Corp.		79.5%	841	766	0.6	(28)	15	165	(30)	(11)	(22.6x)	(78.3x)	50.0x	4.7x
Ayro Inc.		82.0%	197	170	1.0	(9)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
						Average	1,302	2,469	(208)	40	(202.2x)	51.5x	104.7x	5.8x
						Median	137	1,225	(109)	102	(58.8x)	23.4x	23.1x	5.8x

N/A: not applicable

NM: not meaningful

Source: S&P Capital IQ; Estimates are S&P Capital IQ median estimates as of 20 November 2020

EV-focused market entrants have been provided substantial valuations in the public market. Famously, Tesla's market capitalization exceeds that of the combined market caps of the four traditional automakers with the largest market capitalizations: Toyota, VW, Daimler and General Motors. The seven EV companies that have gone public via SPACs in 2020 have a combined market capitalization of more than US\$24 billion, while largely still operating in pre-revenue business models. The more established Li, Xpeng and Nio are expected to

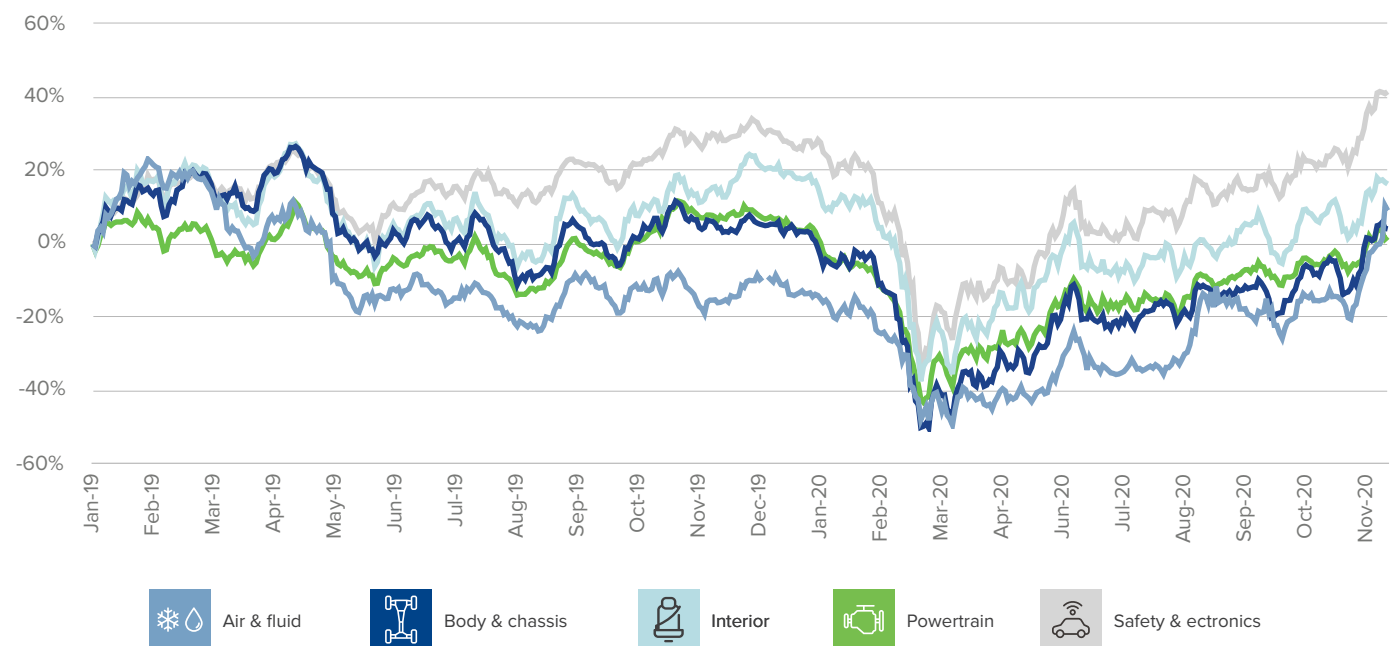
achieve US\$8.9 billion in revenue in 2021. With market capitalization of more than US\$135 billion, these three companies aggregate enterprise value is a robust 14.7 times their combined expected 2021 revenue. This represents a substantial premium to the legacy automakers, whose enterprise values are closer to 1.0 times 2021 expected revenue, or less.

While these new market entrants have the advantage of designing and manufacturing EVs free from the legacy constraints that traditional automakers

are burdened with, they will face an uphill battle to unseat the substantial scale, sophistication and brand recognition enjoyed by the traditional OEMs. The market will likely yield a narrow list of winners in the long race to EVs reaching the point of mass adoption on a global scale. Investors expecting that the new EV companies will be the next Tesla may find that Tesla benefited from Elon Musk's genius, enjoyed a first-mover advantage and that Tesla was a once-in-a-lifetime success story that will be difficult to rewrite.

Selected public company valuation trends

Index of performance by segment



Source: S&P Capital IQ as of 20 November 2020

Air & fluid

Company	Country	Market cap	Enterprise value (US\$m)	Revenue	EBIT	EBITDA	Enterprise value		
							LTM EBITDA	NTM EBITDA	
Hanon Systems	South Korea	7,301	9,593	5,783	251	640	14.3x	10.9x	
Tenneco Inc.	United States	837	6,251	14,872	188	859	7.3x	4.9x	
TI Fluid Systems plc	United Kingdom	1,511	2,600	3,248	141	266	9.1x	6.1x	
Cooper-Standard Holdings Inc.	United States	609	1,313	2,405	(154)	40	33.0x	5.6x	
							Average	15.9x	6.9x
							Median	11.7x	5.8x

Source: S&P Capital IQ as of 20 November 2020

Selected public company valuation trends



Body & chassis

Company	Country	Market cap	Enterprise value (US\$m)	Revenue	EBIT	EBITDA	Enterprise value		
							LTM EBITDA	NTM EBITDA	
Continental Aktiengesellschaft	Germany	26,210	32,644	44,495	3,403	6,556	4.9x	5.9x	
Magna International Inc.	Canada	17,917	22,449	31,474	1,030	3,140	7.0x	5.6x	
NSK Ltd.	Japan	4,383	6,246	6,752	(30)	498	12.3x	9.5x	
Compagnie Plastic Omnium SA	France	4,160	6,011	8,088	70	452	12.6x	6.1x	
Gestamp Automoción S.A.	Spain	2,239	5,949	9,016	102	722	8.2x	5.6x	
Dana Incorporated	United States	2,351	4,756	6,985	205	645	7.4x	5.4x	
American Axle & Manufacturing Holdings Inc.	United States	905	4,003	4,703	110	629	6.4x	4.3x	
NHK Spring Co. Ltd.	Japan	1,480	1,657	5,471	55	321	5.1x	4.6x	
Martinrea International Inc.	Canada	820	1,508	2,418	78	226	6.6x	4.1x	
Iochepe-Maxion S.A.	Brazil	392	1,145	1,468	2	85	13.0x	7.6x	
Superior Industries International Inc.	United States	126	834	1,073	9	109	7.7x	4.5x	
F-Tech Inc.	Japan	104	659	1,706	3	99	6.5x	N/A	
							Average	8.1x	5.7x
							Median	7.2x	5.6x



Interiors & NVH

Company	Country	Market cap	Enterprise value (US\$m)	Revenue	EBIT	EBITDA	Enterprise value		
							LTM EBITDA	NTM EBITDA	
Faurecia S.E.	France	6,413	11,583	16,842	487	1,359	8.1x	5.1x	
Lear Corporation	United States	8,356	10,193	16,620	616	1,338	7.6x	5.6x	
Adient plc	Ireland	2,576	6,761	12,994	(36)	445	15.2x	6.8x	
Toyoda Gosei Co. Ltd.	Japan	3,568	4,042	6,646	238	594	6.7x	6.2x	
Toyota Boshoku Corporation	Japan	2,579	2,645	11,408	229	612	4.3x	3.5x	
Autoneum Holding AG	Switzerland	675	1,527	1,977	(48)	91	16.2x	12.3x	
Sumitomo Riko Company Limited	Japan	533	1,432	3,632	(67)	242	5.8x	4.9x	
TS TECH Co. Ltd.	Japan	2,080	850	3,075	175	294	2.8x	2.2x	
Grammer AG	Germany	302	842	1,980	(36)	75	11.1x	N/A	
							Average	8.6x	5.8x
							Median	7.6x	5.4x

Source: S&P Capital IQ as of 20 November 2020

Selected public company valuation trends



Powertrain

Company	Country	Market cap	Enterprise value (US\$m)	Revenue	EBIT	EBITDA	Enterprise value		
							LTM EBITDA	NTM EBITDA	
DENSO Corporation	Japan	38,373	40,586	43,706	(1,314)	1,783	22.4x	7.6x	
Aisin Seiki Co. Ltd.	Japan	8,282	15,991	31,542	28	2,530	6.2x	4.2x	
Valeo SA	France	8,803	14,956	18,860	(111)	767	18.5x	6.7x	
BorgWarner Inc.	United States	9,184	10,060	8,798	889	1,360	7.4x	5.0x	
Schaeffler AG	Germany	4,794	8,114	14,748	742	1,860	4.3x	3.7x	
JTEKT Corporation	Japan	2,858	5,375	11,540	(76)	537	9.9x	7.1x	
CIE Automotive S.A.	Spain	2,991	5,099	3,349	332	514	9.8x	8.9x	
Linamar Corporation	Canada	3,014	3,685	4,298	285	595	6.1x	5.1x	
Nemak S.A.B. de C.V.	Mexico	1,000	2,556	2,941	106	369	6.3x	4.7x	
ElringKlinger AG	Germany	881	1,530	1,702	13	149	10.1x	7.2x	
Ryobi Limited	Japan	379	982	1,666	(13)	143	6.8x	N/A	
Tupy S.A.	Brazil	562	795	734	61	118	6.4x	6.8x	
EXEDY Corporation	Japan	582	658	2,126	117	290	2.2x	2.3x	
							Average	9.0x	5.8x
							Median	6.8x	5.9x



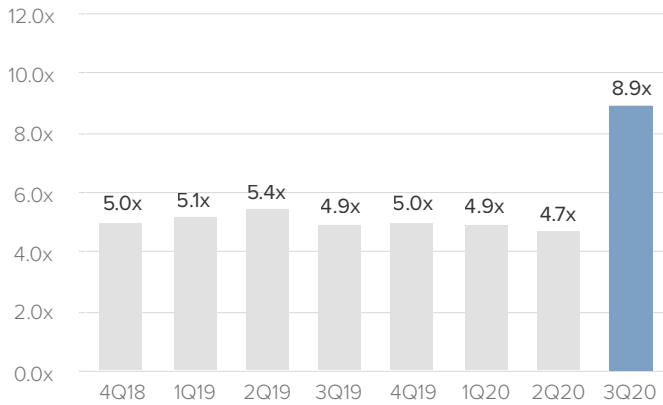
Safety & electronics

Company	Country	Market cap	Enterprise value (US\$m)	Revenue	EBIT	EBITDA	Enterprise value		
							LTM EBITDA	NTM EBITDA	
Aptiv plc	Ireland	30,869	33,362	12,450	686	1,502	22.2x	14.1x	
Sumitomo Electric Industries Ltd.	Japan	9,503	15,537	26,761	662	2,266	6.7x	6.0x	
Hyundai Mobis Co. Ltd.	South Korea	20,160	13,527	29,853	1,474	2,650	4.7x	4.5x	
Autoliv Inc.	Sweden	7,734	9,441	7,122	603	1,020	9.3x	6.8x	
Gentex Corporation	United States	7,812	7,387	1,602	353	457	16.2x	12.2x	
Koito Manufacturing Co. Ltd.	Japan	10,157	8,132	6,566	460	812	9.9x	8.1x	
Brembo S.p.A.	Italy	4,244	4,881	2,598	199	440	11.0x	9.4x	
Mando Corporation	South Korea	1,857	3,058	4,691	60	321	9.1x	6.5x	
Visteon Corporation	United States	3,198	3,408	2,505	81	204	16.7x	11.7x	
Mitsuba Corporation	Japan	207	1,494	2,471	32	191	7.7x	N/A	
Gentherm Incorporated	United States	1,717	1,707	855	74	121	14.1x	11.0x	
Stoneridge Inc.	United States	718	818	649	(1)	39	21.0x	13.0x	
							Average	12.4x	9.4x
							Median	10.4x	9.4x

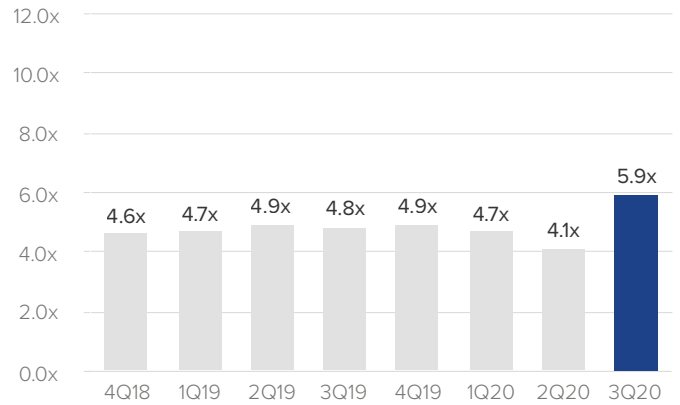
Source: S&P Capital IQ as of 20 November 2020

EV/EBITDA valuation trends by segment

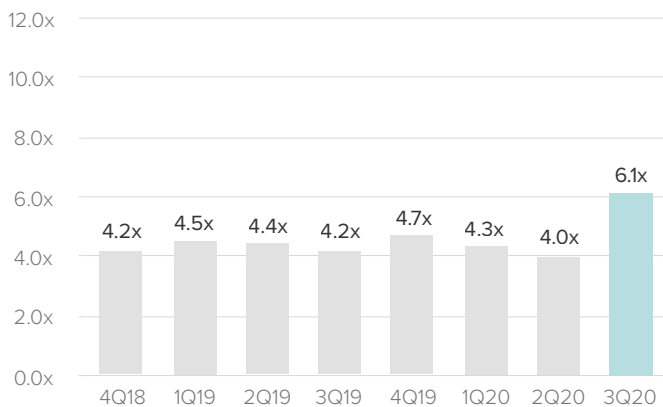
 Air & fluid



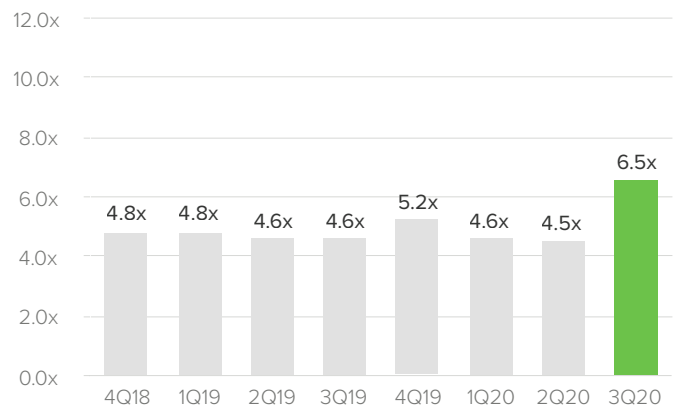
 Body & chassis




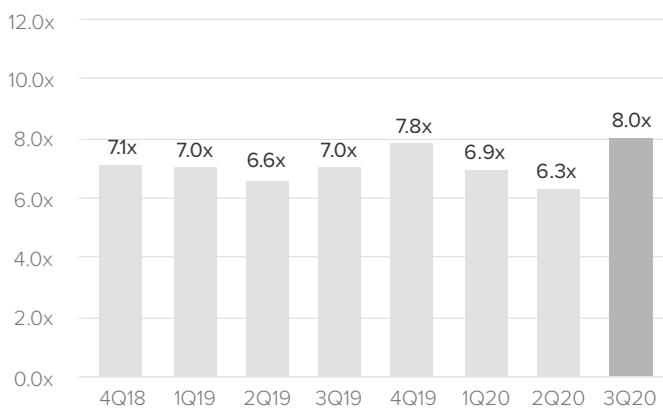
 Interiors & NVH



 Powertrain



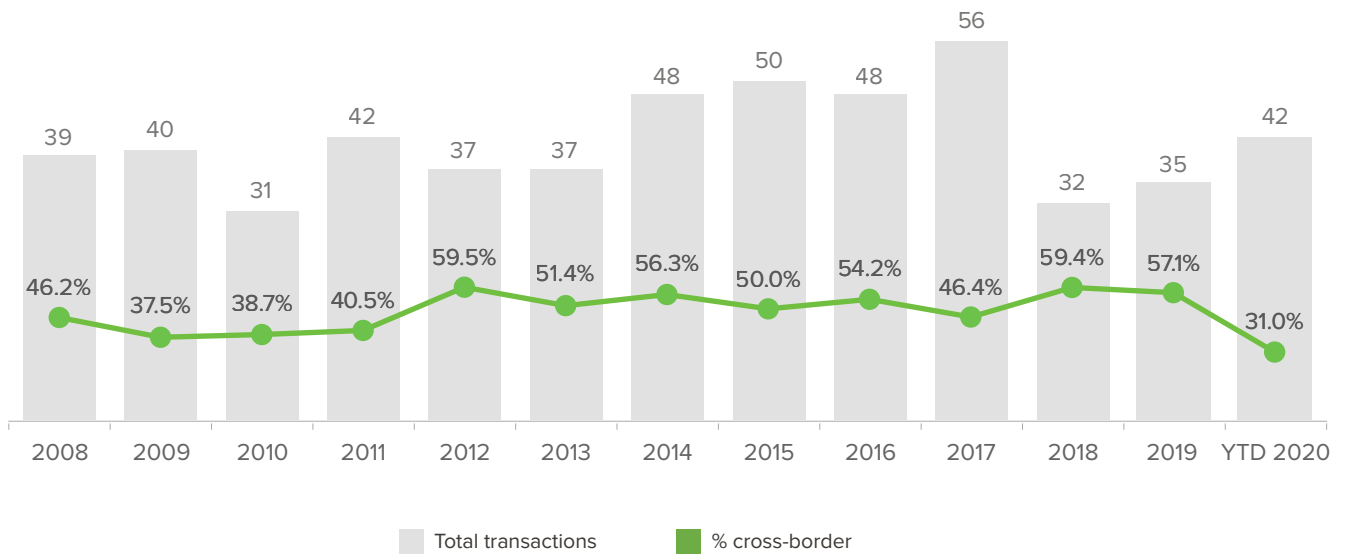
 Safety & electronics



Source: S&P Capital IQ. Valuation in each quarter represents the average EV/LTM EBITDA multiple during the quarter noted.

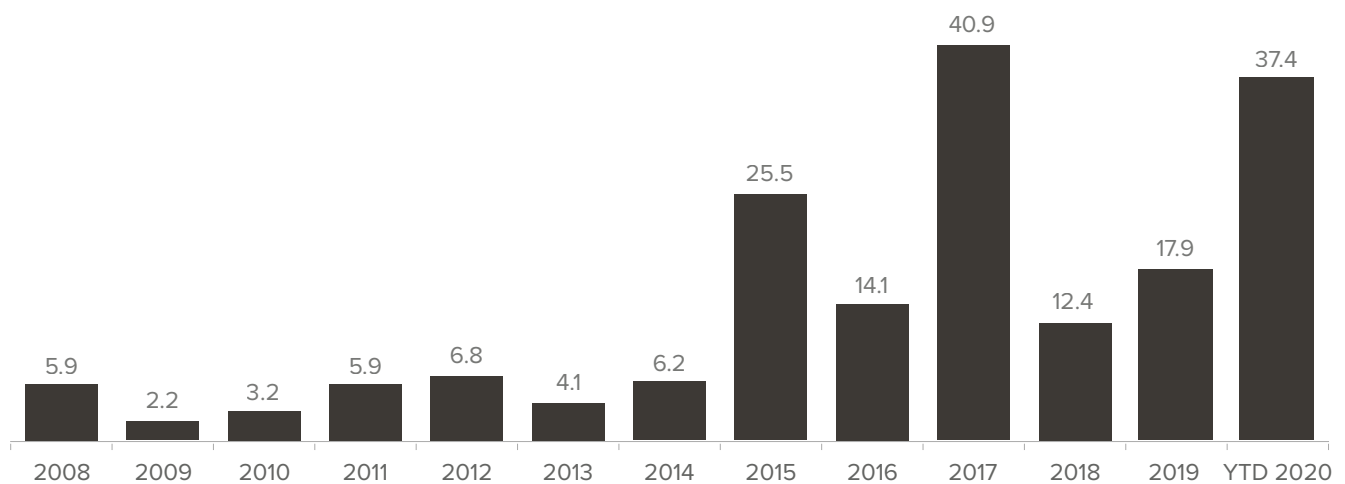
M&A overview

Deal volume & % cross-border























Source: Mergermarket, disclosed transactions only

Deal value (in US\$ billions)



Source: Mergermarket, disclosed transactions only

M&A activity

Date	Target	Target description	Acquiror	Country (US\$m)	Valuation (US\$m)
2-Nov-20	Modine Manufacturing (liquid-cooled automotive business)	Modine's liquid-cooled automotive thermal-management business located in eight facilities in China, Europe and the USA	Dana Incorporated	 / 	ND
2-Oct-20	Delphi Technologies plc	Delphi manufacturers components and systems for gasoline, diesel and electric engines	BorgWarner	 / 	2,825
30-Sep-20	Adient plc (automotive fabrics manufacturing business)	Adient's automotive fabric manufacturing business, including its lamination business, consisting of 11 facilities globally	Sage Automotive Interiors (Asahi Kasei)	 / 	175
20-Sep-20	Garrett Motion Inc. (announced)	Garrett Motion's product portfolio includes turbo charging, electric boosting and automotive software solutions	KPS Capital Partners	 / 	2,600
11-Sep-20	Motus Headliner GmbH	Motus manufactures headliners, headliner systems and compression-formed products	Nobo Automotive System	 / 	19
30-Aug-20	Substantially all assets of Shiloh Industries Inc.	Shiloh manufactures lightweight body structure, chassis and propulsion systems, and components	MiddleGround Capital	 / 	218
4-Aug-20	Dura Automotive Systems Inc.	Dura manufactures integrated mechatronic systems, lightweight structural body systems and exterior systems	MiddleGround Capital	 / 	ND
2-Mar-20	Metalsa S.A. de C.V. (structural components for passenger cars operations)	Mexico-based structural components for passenger cars operations of Metalsa	Martinrea International	 / 	20
30-Jan-20	SAS Autosystemtechnik GmbH & Co. KG (50% stake)	SAS Autosystemtechnik manufactures and assembles interior modules for motor vehicles and trucks	Faurecia	 / 	ND
7-Jan-20	Alva Sweden AB	Alva manufactures cushions for airbag systems	Toray Industries	 / 	ND

ND: not disclosed

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Matt leads Oaklins' automotive OEM suppliers team and is a managing director at Citizens Capital Markets Inc., Oaklins' member firm in Cleveland. Matt has advised numerous automotive OEM suppliers, including Creative Foam Corporation, Vita Nonwovens, Stoneridge and Myers Industries.



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