



Automotive Quarterly M&A Newsletter



Q3 2018

Key Takeaways

The interior design of vehicles – especially cockpits – is changing profoundly as an increasing number of technologies merges in the space behind the wheel. The cockpit is turning into a comfortably designed control and entertainment center as every major component including the steering wheel, instrument clusters, dashboard controls, seats, safety systems, and climate controls is reinvented by automakers. With these dramatic changes, many new and existing companies compete to re-design and benefit from the cockpit of the next generation of cars – the theme of our Q3 2018 Automotive Quarterly Newsletter.

Technological Advancements and Automotive Megatrends are Redefining the Automotive Cockpit

- Autonomous driving features powered by connectivity and digitization are having a revolutionary impact on the automotive cockpit segment, offering many venues to both hardware and software providers to innovate and meet consumers' changing demands
- Advancements in the cockpit can pose challenges for traditional suppliers as new suppliers enter the market, but there are significant opportunities across categories
- Changing design and material requirements are paving the way for interior component suppliers to collaborate with OEMs and consumer electronics companies to design futuristic integrated concepts and enhance the travel experience

“With the car becoming a connected mobile platform, drivers and passengers expect to access information or entertainment in their vehicles as they do with their smartphones or tablets.”
Sachin Lawande, President and CEO of Visteon

Page 2

Valuation Observations and Sector Performance

| | | | |
|---|---|------------------------------------|---------------------|
| <ul style="list-style-type: none"> Global OEM multiples have increased over the previous quarter while multiples for suppliers declined, further widening the valuation gap between the two groups | At the end of Q3'18 the average EV / LTM EBITDA multiples were: | NA Auto Parts Manufacturers | 6.7x -0.6x Q-o-Q |
| | | Global OEMs | 8.7x +0.5x Q-o-Q |



Page 3

Automotive M&A Activity

- Automotive supplier M&A activity witnessed a slight Q-o-Q decline⁽¹⁾. U.S.-based buyers drove the overall acquisition momentum, being involved in 31% of transactions during the quarter
- Q3 2018 saw a number of deals in the auto interiors space. In one of the transactions, Asahi Kasei Corporation announced the acquisition of Sage Automotive Interiors, a U.S.-based developer and manufacturer of automotive interior fabrics, for \$1,060 million

Page 4

KPMG Corporate Finance ⁽¹⁾

| | | |
|--|--|--|
|  <p>America's M&A Transactions Advisory Services Firm of the Year - 2018</p> |  <p>Consumer Discretionary Deal of the Year (Over \$100 MM) 2017</p> | <ul style="list-style-type: none"> In the global mid-market segment, KPMG was the #1 M&A advisor with the most transactions over the last 5 years |
|--|--|--|

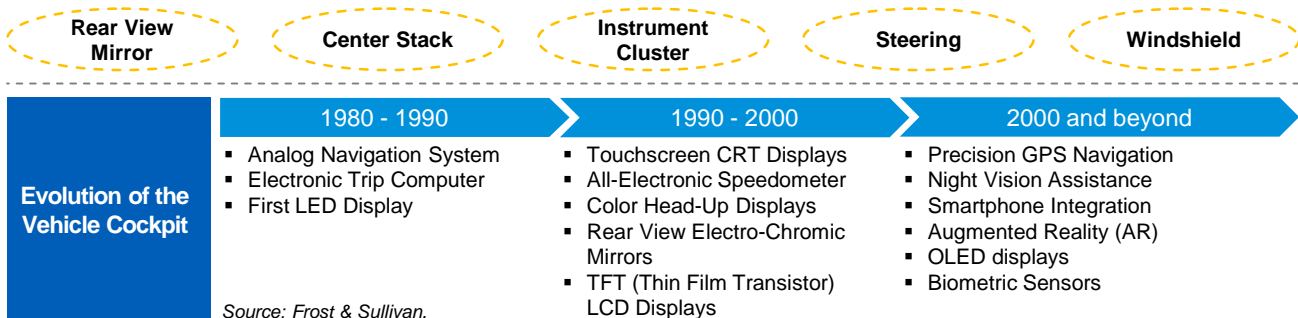
Page 5

(1)Refers to the global Corporate Finance practices of KPMG International's network of independent member firms
 Sources: Capital IQ, analyst reports, and other publicly available sources.
 Note: (1) Based on transaction records available in CapitalIQ.
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 AUTOMOTIVE M&A NEWSLETTER – Q3 2018

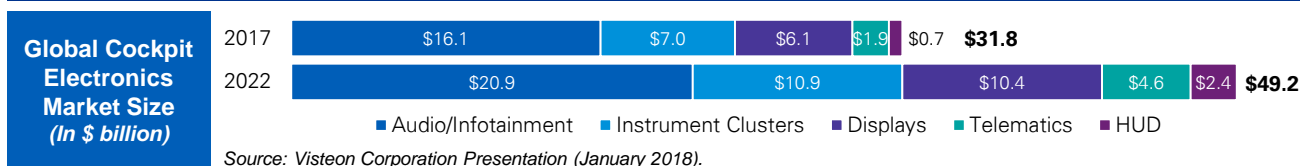
Automotive Cockpits

The industry's move towards connected cars and assisted driving has turned the automotive cockpit into a new battleground for suppliers. There is now an increased focus on supplying both hardware and software that enables autonomous features and enhances the user experience. The next generation of vehicles is expected to be an extension of consumers' digital lifestyles. As a result, the interior of an automobile is steadily evolving from a purely functional driver environment to a mobile living room integrating advanced functions, comfort, ergonomics, and safety features.

Vehicle Cockpit Components



Digitization and Connectivity Defining Today's Cockpits



While it may take more than a decade until widespread availability of shared-mobility and fully autonomous vehicles, upcoming models are expected to feature increasingly high-tech cockpit and interior components.

Infotainment

Infotainment systems are acting as an interface between humans and the vehicle, and are becoming much more than an extension of the ubiquitous smartphone.

Consumers' desire for feature rich systems, supported by their use of IoT-enabled devices and digital voice assistants at home, have shifted the momentum from traditional audio to display audio allowing integration of phones with cars through smartphone mirroring solutions such as Apple Car Play and Android Auto.

Head-Up Displays (HUDs)

HUDs are becoming increasingly available in automobiles to enable the driver to intuitively access key information either on a screen or directly on the windshield, without changing direction of gaze.

GM introduced the first head-up display in the Oldsmobile Cutlass Supreme in 1988, showing speed, tachometer, and other basic readings. Today, more advanced HUDs are being developed offering Human-Machine Interface solutions for autonomous driving.

Exterior Mirror vs. Exterior Camera

Side mirrors are set to be displaced by cameras which will collect information on surrounding traffic and provide a continuous feed on the interior display panels. Along with an increased field of view, this will also improve aerodynamics and reduce noise.

In the recently launched Audi E-Tron, the side view mirrors have been replaced with exterior cameras that stream their feeds through the digital displays embedded on the doors beneath the windows.

Instrument Clusters (IC)

Digital ICs loaded with rich Advanced Driving Assistance Systems (ADAS) such as traffic jam assist, lane departure warning, and pedestrian detection are poised to supersede analog clusters in next-generation vehicles. Analog ICs are expected to become obsolete by 2020.

Johnson Controls has developed a multilayer instrument cluster which uses the latest TFT technology and generates a 3D interface.

Selected Public Automotive OEM and Parts Manufacturers

| Selected Automotive Comps | | | | | | | | | | | |
|---|------------|-------------------|--|----------------------------|--------------|----------------|----------------|-------------------------|--|--------------|---------------------------|
| Company | HQ Country | Market Data | | | | LTM Financials | | | Valuation Multiples - Enterprise Value To: | | |
| | | Market Cap (\$mm) | Enterprise Value (\$mm) ⁽¹⁾ | Share Price ⁽²⁾ | % 52 Wk High | Revenue | Revenue Growth | EBITDA % ⁽³⁾ | LTM EBITDA ⁽³⁾ | NTM Revenue | NTM EBITDA ⁽³⁾ |
| North American Auto Parts Manufacturers | | | | | | | | | | | |
| Aptiv PLC | IE | 22,212 | 25,566 | 83.90 | 79.9% | 13,902 | 12.3% | 16.1% | 11.4x | 1.71x | 9.9x |
| Magna International Inc. | CA | 17,847 | 22,151 | 52.49 | 77.9% | 41,978 | 6.5% | 10.3% | 5.1x | 0.53x | 4.8x |
| Lear Corporation | US | 9,499 | 10,423 | 145.00 | 70.3% | 21,660 | 7.7% | 10.5% | 4.6x | 0.47x | 4.5x |
| BorgWarner Inc. | US | 8,935 | 10,840 | 42.78 | 73.5% | 10,481 | 7.9% | 16.6% | 6.2x | 1.01x | 6.1x |
| Gentex Corporation | US | 5,771 | 5,326 | 21.46 | 84.5% | 1,819 | 5.1% | 34.3% | 8.5x | 2.72x | 8.0x |
| Nexteer Automotive Group Limited | US | 3,970 | 3,814 | 1.58 | 60.8% | 3,951 | 3.3% | 13.9% | 7.0x | 0.92x | 5.6x |
| Adient plc | IE | 3,670 | 7,085 | 39.31 | 45.5% | 17,273 | 8.0% | 5.3% | 7.8x | 0.40x | 5.1x |
| Linamar Corporation | CA | 3,009 | 4,677 | 46.04 | 73.9% | 5,455 | 17.2% | 15.6% | 5.5x | 0.76x | 4.8x |
| Delphi Technologies PLC | GB | 2,784 | 4,103 | 31.36 | 51.9% | 5,022 | 3.9% | 16.1% | 5.1x | 0.81x | 5.1x |
| Visteon Corporation | US | 2,728 | 2,681 | 92.90 | 66.1% | 3,134 | (0.6%) | 9.1% | 9.4x | 0.85x | 7.5x |
| Dana Incorporated | US | 2,699 | 4,548 | 18.67 | 52.9% | 7,860 | 12.2% | 10.8% | 5.3x | 0.55x | 4.5x |
| Tenneco Inc. | US | 2,167 | 3,473 | 42.14 | 64.2% | 9,776 | 7.2% | 8.8% | 4.0x | 0.34x | 3.8x |
| Cooper-Standard Holdings Inc. | US | 2,138 | 2,485 | 119.98 | 81.7% | 3,703 | 2.2% | 12.2% | 5.5x | 0.67x | 5.1x |
| American Axle & Manufacturing | US | 1,948 | 5,503 | 17.44 | 86.0% | 7,218 | 15.5% | 16.9% | 4.5x | 0.77x | 4.4x |
| Gentherm Incorporated | US | 1,657 | 1,705 | 45.45 | 90.4% | 1,019 | 8.3% | 12.9% | 13.0x | 1.55x | 10.4x |
| Martinrea International Inc. | CA | 887 | 1,355 | 10.20 | 75.4% | 2,739 | (1.0%) | 12.0% | 4.1x | 0.48x | 3.8x |
| Stoneridge, Inc. | US | 847 | 903 | 29.72 | 78.9% | 858 | 5.8% | 11.5% | 9.1x | 1.02x | 8.0x |
| Tower International, Inc. | US | 623 | 927 | 30.25 | 82.5% | 2,120 | 9.3% | 9.9% | 4.4x | 0.42x | 4.0x |
| North American Auto Parts Manufacturers Mean | | | | | 72.0% | | 7.3% | 13.5% | 6.7x | 0.89x | 5.8x |
| North American Auto Parts Manufacturers Median | | | | | 74.6% | | 7.4% | 12.1% | 5.5x | 0.77x | 5.1x |
| Global OEMs | | | | | | | | | | | |
| Toyota Motor Corporation | JP | 179,382 | 314,901 | 62.52 | 90.9% | 267,905 | 1.2% | 14.3% | 8.2x | 1.19x | 10.2x |
| Volkswagen AG | DE | 87,233 | 248,982 | 176.14 | 78.8% | 273,842 | 3.7% | 10.4% | 8.8x | 0.89x | 6.2x |
| Daimler AG | DE | 67,556 | 203,628 | 63.15 | 71.1% | 192,597 | 1.9% | 9.9% | 10.6x | 1.03x | 9.2x |
| BMW AG | DE | 58,649 | 156,652 | 90.16 | 80.0% | 112,827 | (2.1%) | 13.5% | 10.3x | 1.37x | 9.6x |
| Honda Motor Co., Ltd. | JP | 53,343 | 98,427 | 30.30 | 82.8% | 141,395 | 2.6% | 9.2% | 7.6x | 0.71x | 8.8x |
| General Motors Company | US | 47,505 | 131,231 | 33.67 | 72.0% | 144,197 | 8.1% | 13.9% | 6.5x | 0.90x | 6.8x |
| Tesla, Inc. | US | 45,168 | 57,704 | 264.77 | 68.3% | 13,684 | 73.8% | (3.4%) | NM | 2.16x | 17.4x |
| Ford Motor Company | US | 36,868 | 164,727 | 9.25 | 68.6% | 158,656 | 0.4% | 8.7% | 11.9x | 1.14x | 14.6x |
| Nissan Motor Co., Ltd. | JP | 36,654 | 97,787 | 9.37 | 88.8% | 107,428 | (0.9%) | 7.9% | 11.5x | 0.92x | 11.4x |
| Fiat Chrysler Automobiles N.V. | GB | 27,283 | 30,448 | 17.59 | 75.0% | 129,695 | 2.8% | 10.1% | 2.3x | 0.23x | 1.9x |
| Renault SA | FR | 23,246 | 67,816 | 86.56 | 73.9% | 69,058 | 1.8% | 10.3% | 9.5x | 0.96x | 8.3x |
| Global OEMs Mean | | | | | 77.3% | | 8.5% | 9.5% | 8.7x | 1.05x | 9.5x |
| Global OEMs Median | | | | | 75.0% | | 1.9% | 10.1% | 9.1x | 0.96x | 9.2x |

Source: CapitalIQ and company filings.

All figures in USD, where applicable, converted at rates as of September 30, 2018.

(1) Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents as of closing price September 30, 2018.

(2) Closing share prices as of September 30, 2018.

(3) EBITDA equals Earnings before Interest Expense, Income Taxes, Depreciation and Amortization.

Select Q3 2018 M&A Transactions

| Date Closed | Target | Buyer | Implied Enterprise Value (\$ mm) | Implied EV/LTM Revenue | Implied EV/LTM EBITDA |
|-------------|--|----------------------------------|----------------------------------|------------------------|-----------------------|
| Pending | Global fluid pressure & controls business of Magna International | Hanon Systems | \$1,230.0 | 0.88x | - |
| Pending | Roof Systems Business of Inteva Products Inc. | CIE Automotive, S.A. | \$758.6 | 0.76x | - |
| Pending | Jofund S.A. | Fras-le S.A. | \$45.8 | - | - |
| Pending | Drive Systems Segment of Oerlikon Group | Dana Incorporated | \$614.2 | 0.82x | 7.7x |
| Pending | Sage Automotive Interiors, Inc. | Asahi Kasei Corporation | \$1,060.0 | 2.23x | - |
| Pending | Efficient Drivetrains, Inc. | Cummins Inc. | - | - | - |
| 09/27/18 | Detector De Seguimiento Y Transmisión S.A. | Viasat Group S.p.A. | - | - | - |
| 09/24/18 | Assets of Hi-Vol Products LLC | LISI Automotive SAS | - | - | - |
| 09/12/18 | Grakon Parent, Inc. | Methode Electronics, Inc. | \$420.0 | 2.64x | 10.2x |
| 08/31/18 | Behr Thermot-tronik Italia S.p.A. (nka:Mahle Behr Grugliasco) | MAHLE GmbH | - | - | - |
| 08/31/18 | BINS Indústria de Artefatos de Borracha LTDA. | Dätwyler Holding Inc. | - | - | - |
| 08/06/18 | Detroit Manufacturing Systems LLC | Bruce Smith | - | - | - |
| 08/01/18 | Inapal Plásticos SA | Teijin Holdings Netherlands B.V. | - | - | - |
| 08/01/18 | Marathon Seat Covers, Inc. | Covercraft Industries, LLC | - | - | - |
| 07/10/18 | Battery Division of Gentherm Incorporated | Hyllion, Inc. | - | - | - |
| 07/02/18 | Sa-ba Endüstriyel Ürünler İmalat ve Ticaret A.S | Varroc Lighting Systems, Inc. | - | - | - |

Source: CapitalIQ, Mergermarket, and press releases.

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KPMG Corporate Finance

Leading Advisor to the Automotive Sector⁽¹⁾

Select Transactions ⁽¹⁾





KPMG Corporate Finance

acted as buy-side financial advisor to Piston Group on the acquisition of Irvin Automotive Products from Takata




KPMG Corporate Finance

acted as financial advisor on the sale of Covpress International Ltd to Shandong Youngtai Corp Ltd




KPMG Corporate Finance

acted as financial advisor to VITEC, LLC in its sale to a confidential acquirer




KPMG Corporate Finance

acted as financial advisor to TriVero Group on raising acquisition financing for the purchase of BTM Company




KPMG Corporate Finance

acted as financial advisor to Comvest Partners in the sale of Chicago Miniature Lighting to AGM Automotive Partners




KPMG Corporate Finance

acted as financial advisor to Fleetwood Metal Industries on its sale to Milestone Partners




KPMG Corporate Finance

acted as financial and tax advisor to FinnvedenBulten AB on the disposal of Finnveden Metal Structures AB to Shiloh Industries




KPMG Corporate Finance

acted as financial advisor to C2i in connection with the disposal of majority stake to Korean conglomerate LG Hausys

(1) Represents the Corporate Finance practices of KPMG International's network of independent member firms

Global Coverage. Industry Knowledge. Middle-Market Focus.

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