

# Automotive Downstream

M&A Report | 2023

M&A as an enabler of transition



# Change ahead in automotive downstream



**DAN SHEAHAN**

Managing Director

“The automotive industry is in an unprecedented state of evolution, with changing consumer preferences and the increasing influence of government regulation creating opportunities for disruption in the downstream sector. As ever, M&A will have a crucial role to play for all manner and size of market players.”



**JÜRGEN SCHWARZ**

Managing Director

“The shifting market environment is driving increasing cross-border M&A activity. We expect M&A to become an ever more relevant instrument to stay on top of the disruption in the Automotive Downstream sector.”

- This report focuses solely on the automotive downstream market, i.e. the sale and use phase of a car.
- Next to tremendous changes in the automotive downstream market environment, consumer demand for more flexibility in mobility as well as holistic and environmentally sustainable mobility concepts are gaining more importance.
- Therefore, market participants need to adapt and rethink their business models in order to strengthen their market position, diversify their revenue streams and create stronger customer relationships.
- M&A is a key instrument for both traditional automotive downstream players, to gain (digital) expertise and expand their footprint across the value chain, as well as new market participants, who are trying to gain scale, market share and international footprint quickly by leveraging their digital competencies.
- There has been a high volume of M&A in the sector, with more than 1,000 deals taking place since 2019. Whilst there has been a degree of cooling off following a record year of transactions in 2021, there remains a strong appetite for M&A.
- The proportion of cross-border deals has increased from 36% in 2019 to 63% in the 9 months to the end of September 2023, underlining international expansion as a key trend.
- Deal activity is strongly driven by strategic buyers, with 69% of global M&A activity in 2022 involving a strategic buyer.
- We expect financial investor involvement to increase over the coming years, as younger companies (e.g. those operating in the alternative fuel vehicle space) develop and become attractive platforms for consolidation.
- Valuations range from <1x Sales for smaller traditional businesses up to ~8.0x Sales for established high-growth digital businesses.



# Key trends along the downstream value chain

The disruptive changes imposed to all players involved pushes new trends in the automotive downstream market

- 1 The preference of customers for digital channels has strongly increased, causing transitions across car sales, financing, servicing and repair channels
- 2 Original Equipment Manufacturers (OEMs) are looking to form stronger end customer relationships and gain direct access to consumers (D2C), aiming to turn the traditional car customer into a (long-term) “user” of their products, thereby increasing their margins
- 3 The high degree and requirement for innovation is very costly for OEMs, creating the need to increase efficiency along the value chain
- 4 Online marketplaces, classifieds businesses and auction houses are expanding across the value chain themselves, to become “dealers” with own inventory and even creating integrated digital mobility platforms
- 5 Consumer preference is moving away from vehicle ownership, towards usership, triggering new opportunities and the evolution of new shared and subscription-based business models. This also aligns with the shift towards EVs – with leasing being a preferred method of acquiring such vehicles
- 6 Significant recent difficulties faced by some of the newer business models in the market e.g. Onto (electric vehicle, “EV”, subscription model) falling into administration and Cazoo (online used car dealer) posting significant trading losses and seeing a 99% fall in its share price since listing



# Key M&A trends

Automotive Downstream players are utilising M&A in order to strengthen and expand their position along the value chain while new entrants are trying to reach scale with disruptive business models

- 1 Leading European physical car dealership networks are very acquisitive with a strong focus on gaining scale and international footprint in order to stay “critical” in a market environment where OEM’s are trying to gain (D2C) market share from dealerships
- 2 North American dealer groups targeting UK dealerships as they represent good investment value when seeking to expand international footprints, with UK dealerships operating in a well-regulated environment adding to the stability that buyers seek
- 3 B2B (online) players are expanding along the value chain, from sourcing vehicles through own buying platforms to selling B2C and are utilising M&A as an instrument to rapidly expand domestically and internationally
- 4 As OEMs long for more and deeper D2C relationships, they will require reliable and quality enabling services (amongst others part-exchange pricing / inspections, hand-over to consumers etc.) which will trigger additional M&A activity from their side
- 5 Shared mobility, mobility-on-demand and subscription-based business models have been key targets for growth investors but depreciation curves and EV RV volatility has impacted negatively on those that own their own fleet
- 6 Financial institutions and insurance companies expand core competencies and invest in own retail channels

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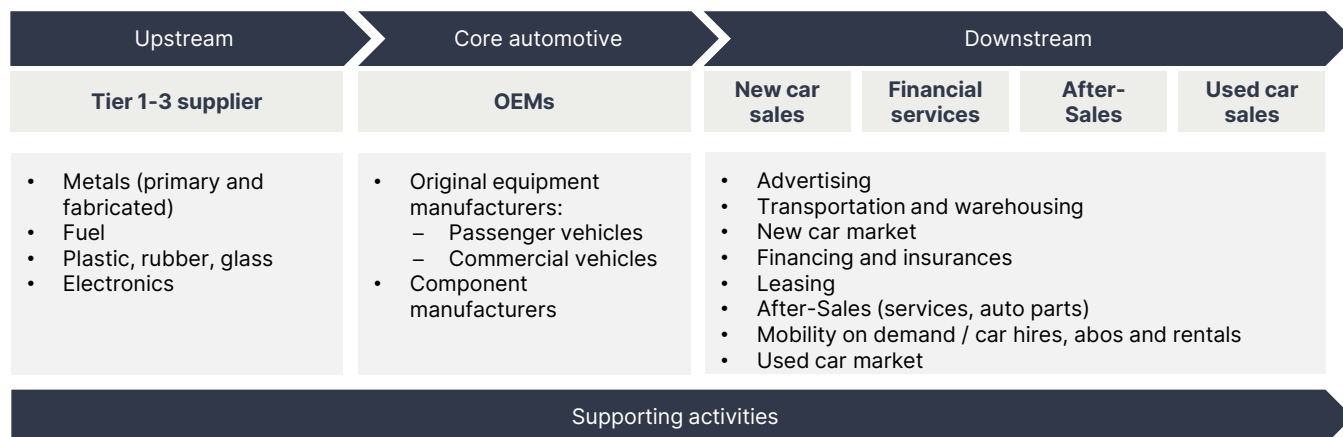
# Transition in the automotive downstream value chain





# “Traditional” automotive value chain in a nutshell

- The upstream automotive value chain comprises of suppliers who design, produce and assemble subsystems for the production of a car. It can be divided into three tiers:
  - Tier-1: System integrators
  - Tier-2: System specialists
  - Tier-3: Parts and component suppliers
- OEMs make up the central part of the value chain and can be tiered into ‘high volume, full range producers’, ‘specialist producers’ and ‘niche producers’
- Downstream activities are strongly related to the sale and use phase of a car
  - Key actors in the downstream activities are dealers, fleet management companies, logistics & transport providers, reconditioning and other service suppliers
  - This area of the market is growing due to new services being incorporated into the automotive downstream sector, including mobility-on-demand (car sharing, ride hailing etc.), financial services (car finance, multiple types of insurance etc.) and after sales (accessories, replacement parts etc.)
  - Furthermore, leasing models have become increasingly prevalent as consumer preferences shift away from ownership towards usership



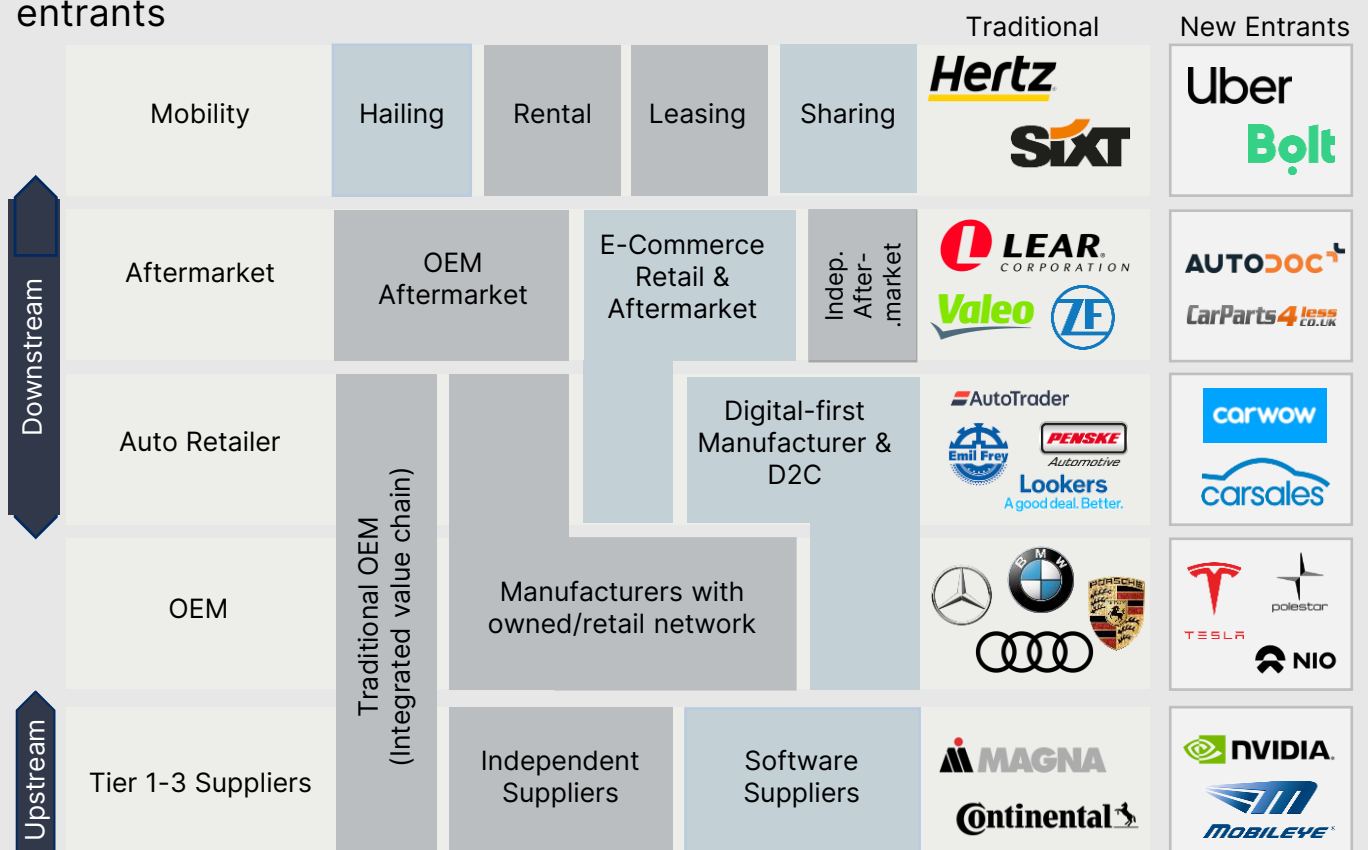
Source: Capgemini, Capitalmind Investec research

# Disruption of automotive downstream

OEM's show increasing appetite for the consumer market which is driven by technological innovation and changing consumer demand

- Upstream activities (suppliers) have based their success on economies of scale, i.e. less competition and enough scale to gain efficiencies in investments and use of high worth assets. Critical components for electrification such as batteries, electric drives, light detection and radar sensors will likely make up about 52% of the total market size by 2030, according to McKinsey
- A key area of downstream innovation and disruption relates to customer interaction
- Car buying journeys are manifold with several transitions across digital and physical channels. Customers increasingly demand a wide range of products/services and seamless integration between the diverse touchpoints
- Therefore, downstream players are looking to diversify their revenue streams by digitalising and bundling new services while OEMs are trying to increase their downstream exposure to create long-term customer relationships and increase margins
- Mobility in many cases is moving away from private ownership and towards usership - with the increasing prevalence of 'upgrade' culture in relation to vehicle acquisition, particular for EVs
- Additionally, the rise of electric and connected vehicles triggers customer expectations and demand for innovative in-vehicle features, new mobility offerings and digital buying experiences

## Evolution of the automotive value chain – Established players and new entrants



Source: McKinsey, Medium.com, Capitalmind Investec research

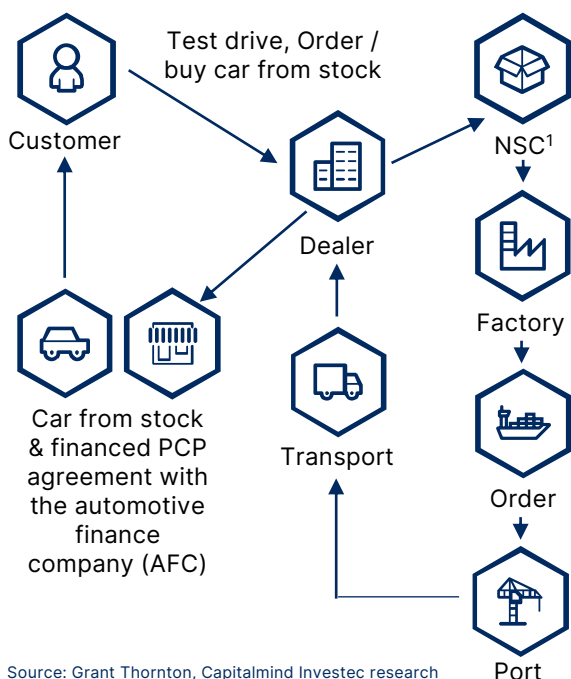
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# The (r)evolution of automotive sales

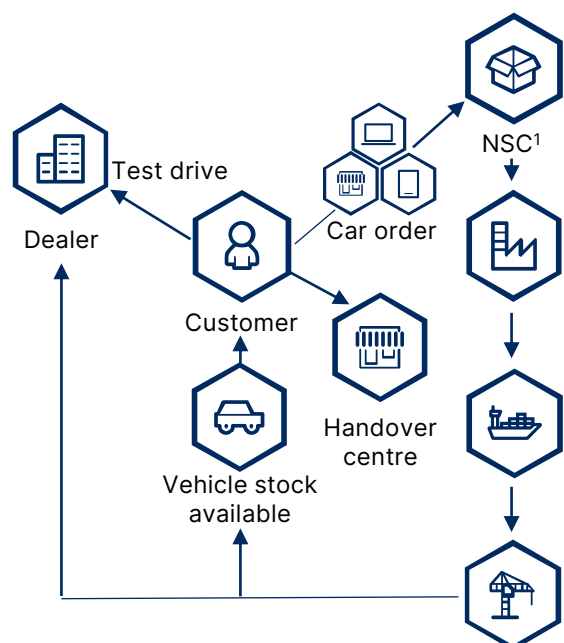
Automotive sales is transitioning from a Dealer-Centric to a Customer-Centric setup, triggered by OEMs seeking more direct customer interaction

- Automotive OEMs have been slow in adopting online D2C sales models in comparison to other industries. In addition to changes in consumer expectations and behaviour, the automotive industry is facing major challenges (such as the introduction of electric or autonomous vehicles) that considerably impact production costs. As such, the need to find efficiencies along the value chain is becoming increasingly urgent
- As OEMs strive to improve their margins in a changing market, they are reviewing their cost base across the supply chain and in the distribution of vehicles. The desire to increase margins and reduce costs has led OEMs to reassess their retail models
- Agency sales can be viewed as an evolution of traditional three-tiered sales (OEM–Dealer–Consumer) towards integrated online-offline sales
- In this model, OEMs take ownership of the sales transaction whilst the dealer retains the customer facing element of the process (although no longer acting as a contractual partner but instead as an agent)
- Some of the customer facing activities retained by dealers include the coordination and execution of test drives and the management of service appointments. Those activities that fall away include the ability to negotiate the price of vehicles
- This new model enables OEMs to leverage existing dealer assets to provide a superior omnichannel customer journey.
- With agency sales, OEMs establish a 360° customer view thus increasing up and cross-selling potential, whilst customers benefit from a more consistent and transparent pricing structure.
- The transition away from a dealer centric sales model creates interesting M&A opportunities for market players looking to expand across the value chain.

**Traditional Sales Model (Dealer-Centric)**



**Full Agency Model (Customer-Centric)**



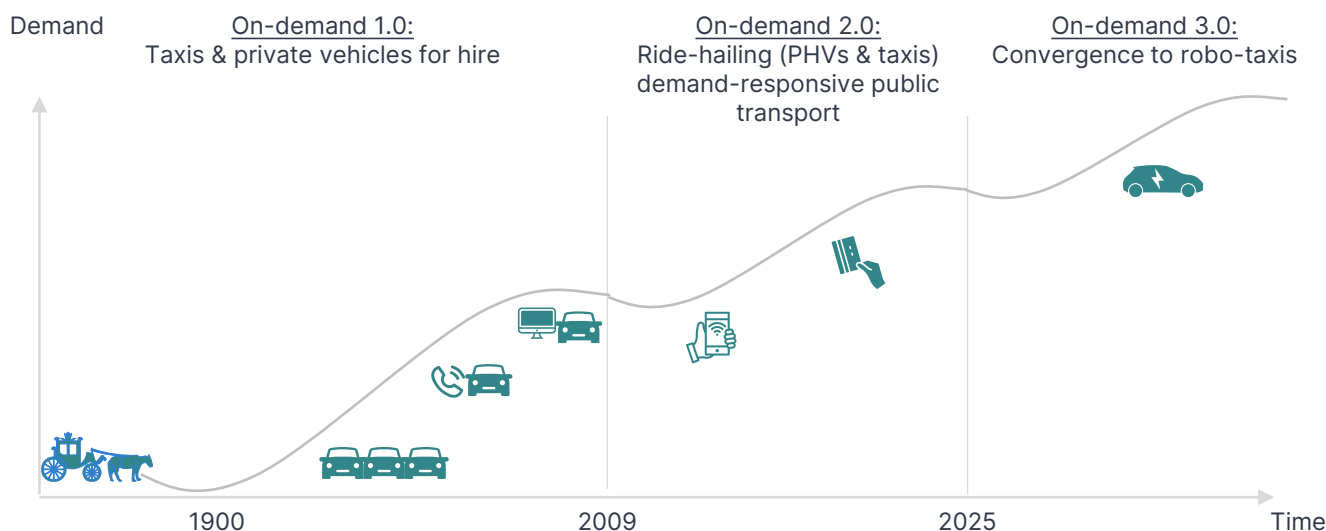
Source: Grant Thornton, Capitalmind Investec research  
<sup>1</sup> National Sales Company

# Mobility on demand and its associated changes

The rise of subscriptions and the sharing economy were introduced to enable the diversification of sector profit pools. Although not always financially successful they have accelerated consumer behaviour away from automobile ownership to usership

- Emerging trends in mobility technology, such as the rise of ride hailing, car sharing, and subscription services are part of a much larger change in preferences away from vehicle ownership and towards vehicle “usership” with fully flexible insurance and servicing packages included
- A wider cultural shift in how people consume is already underway, moving from an ownership model to an access model. Companies like Spotify (audio-streaming) are a great example of how usership services have entered the mainstream. Consumers are now paying to access things temporarily that they used to buy outright. Consumer expectations of access are infiltrating the automotive industry and dealerships are trying to seize this opportunity
- This change is creating opportunities for car dealerships to adapt and maintain their market position as a fully integrated mobility provider. Such opportunities could lead to dealerships extracting extra value out of cars coming off-lease through used car leasing and used car subscription offerings
- For automakers, car subscriptions offer a way of getting closer to the end customer and giving greater control over the customer experience
- Therefore, OEMs were among the first to offer car subscriptions. The ecosystem of providers includes two broad groups: traditional automotive downstream entities (dealerships/rental/leasing), and digital mobility companies and start-ups, such as FAAREN, Bipi, mycardirect or FINN which have exploited the relatively low barriers to entry with a disruptive business model
- The subscription model is one that comes with its challenges – as demonstrated by Onto recently falling into administration as well as other notable failures in this space (e.g. Fair, Drover etc.).
- Despite this, fast growing companies such as the Chinese OEM NIO are offering new vehicles via subscription
- OEMs are also sometimes seeking to embrace a much wider mobility as a service (“MaaS”) proposition, with the likes of Mercedes professing to one day becoming a fully integrated MaaS provider including other non-automotive forms of transport
- Local public sector authorities are embracing the holistic MaaS model; working with the likes of Mobileo (Fleet on Demand) to offer their citizens a fully integrated transportation platform. This has the added benefit of collecting data for the local authority to then best plan a transport investment strategy that meets the needs of its citizens

## On-demand market evolution



Automotive Downstream | **2023**

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# M&A as an enabler of transition



# High M&A intensity

The automotive downstream sector shows a high M&A intensity, with more than 1,000 deals taking place since 2019. Whilst there has been a degree of cooling off following a record year of transactions in 2021, there remains a strong appetite for M&A in the sector heading into 2024

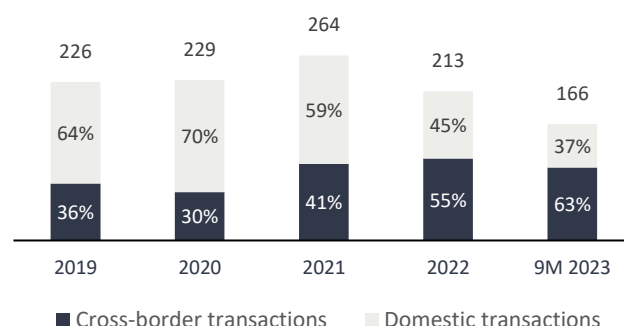
## Automotive M&A Trends

M&A activity in the automotive space remains at healthy levels in 2023 despite a reduction in the volume of transactions post 2021. Some notable trends include:

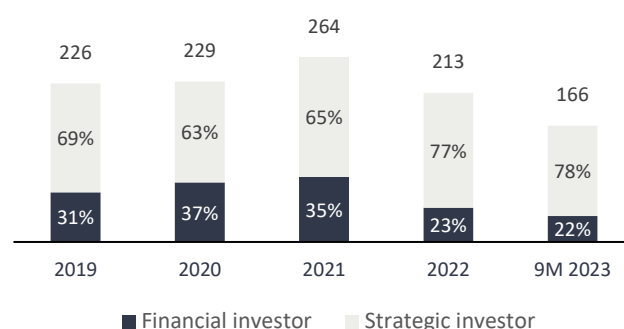
- Increasing cross-border M&A activity, underlining the tendency for buyers to expand footprints internationally
- The last three years have seen a growing number of strategic investors engaging, looking to diversify their revenue streams by increasing their downstream exposure to obtain long-term “users” and improve margins
- The majority of targets and buyers come from the UK followed by Germany and France

## Total number of deals per year (2019 – 9M 2023<sup>1</sup>)...

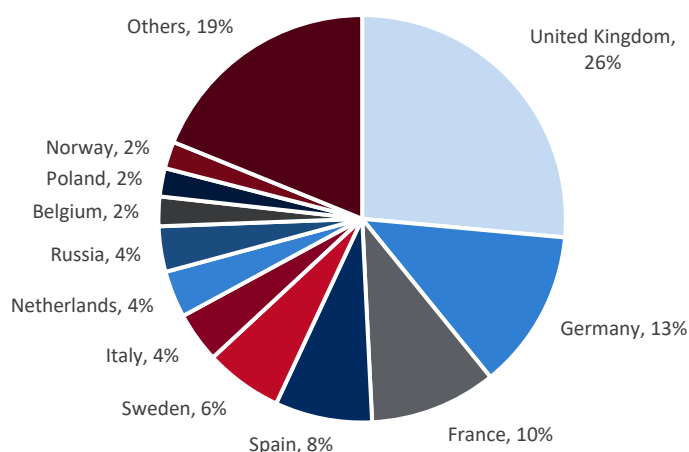
### ...split by domestic and cross-border transactions



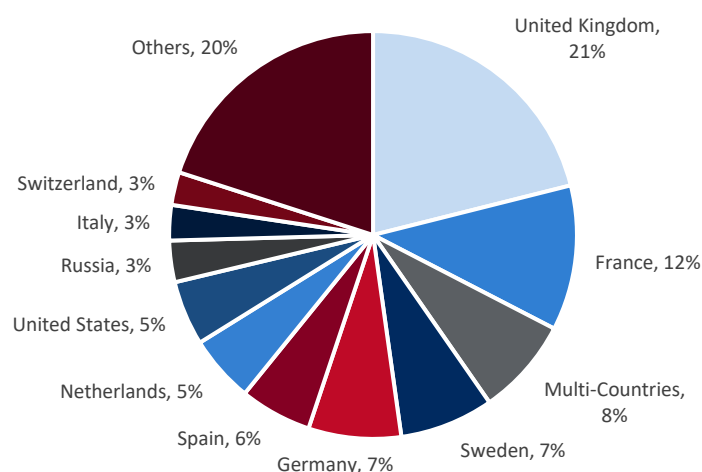
### ...split by investor type



## Target distribution by geography since 2019 – 9M 2023<sup>1</sup>



## Investor/buyer distribution by geography 2019 – 9M 2023<sup>1</sup>



# Recent transactions

Date	Target	Country	Short business description	EV/Sales	Acquirer / Investor	Country
Oct-23	Swish		Management of charging stations for electric vehicles	-	RGreen Invest	
Aug-23	Select Car Leasing		independent leasing specialists for cars and vans	-	Mobilize Financial Services	
Jul-23	MeinAuto		Online platform for new car purchases	-	Mobilize Lease&Co	
Jun-23	Lookers plc		Car dealership chain in the United Kingdom and Ireland	0.2x	Alpha Auto Group LLC	
May-23	LeasePlan		Vehicle leasing and fleet management company	0.5x	ALD	
Mar-23	Jardine Motors Group		Dealership group	-	Lithia Motors Inc.	
Feb-23	EV Chargers Ltd		Provider of EV charging points to the residential, commercial, and workplace sectors	-	Denham Capital	
Feb-23	Tuskerdirect Limited		Vehicle leasing and fleet management	-	Lloyds Banking Group	
Aug-22	RAC Group Limited		Vehicle services such as roadside services, claims management, vehicle inspections	-	Silver Lake Partners	
Jun-22	Riemersma Leasing B.V.		Car rental and leasing provider	-	Santander Consumer Finance Benelux B.V.	
May-22	SHARE NOW GmbH		Car-sharing service	-	Free2move	
Mar-22	Autorama Ltd.		E-Commerce platform for leasing new cars and light commercial vehicles in the UK	7.7x	Auto Trader Group Plc	
Mar-22	LBs Lastbilar AB		Authorized workshop for Mercedes Benz trucks	-	Bilia AB	
Jan-22	Lookers plc		Car dealership chain in the United Kingdom and Ireland	-	Constellation Automotive Holdings Limited	
Jan-22	UniCar GmbH		Provider of car fleet quality control services	Not disclosed	Inter360 Ltd.	
Jan-22	Brumbrum S.p.A.		Online car retailer	2.3x	Cazoo Group Ltd.	
Dec-21	Sternfacilitair B.V.		Traditional car dealer, incl. car repair and rental activities	-	Hedin Group	
Nov-21	Marshall Motor Holdings plc		Traditional car dealer group	0.1x	Constellation Automotive Holdings Limited	
Oct-21	Vans365 Ltd.		Online retail for commercial vehicles	1.4x	Cazoo Group Ltd.	
Oct-21	CarNext B.V.		Online platform for used car retail	-	Constellation Automotive Holdings Limited	
Sep-21	SMH Fleet Solutions Limited		Provider of fleet management services to OEMs, rental and leasing companies	2.1x	Cazoo Group Ltd.	
Sep-21	UK Vehicle Limited		Provider of online vehicle data (formerly known as Cazana)	-	Cazoo Group Ltd.	
Aug-21	Allopnus SAS		Online retailer of tyres and related services	-	Compagnie Generale des Etablissements Michelin SA	
Feb-21	Cluno GmbH		Car subscription provider	5.9x	Cazoo Group Ltd.	
Jul-20	XXImo B.V.		Provider of mobility cards for bookings & payments	Not disclosed	AutoBinck Holding N.V.	
Feb-20	Flexifleet		Vehicle rental and management services to drivers	Not disclosed	Trocadero Capital Partners SAS	

Sources: S&P CapitalIQ, Mergermarket, Capitalmind Investec research

Advised by Capitalmind/Investec

# Notable deals in the industry

Given the fragmented market, M&A provides the opportunity to gain market share, know-how, technology and customer relationships along the downstream value chain

## North American dealer groups targeting large UK dealerships



Alpha Auto Group

- Lithia, a NYSE listed dealership group, acquired Jardine Motors in a c.£300m deal. Jardine Motors is one of the largest dealer groups in the UK. The acquisition marks Lithia's entry into the UK and European market
- Lithia has also made an offer to acquire Pendragon's car dealerships in a deal worth c.£400m – in a deal which has recently been approved Pendragon's shareholders.
- Alpha Auto Group, a privately owned Canadian car dealer network, has agreed a c.£400m deal to acquire Lookers plc. Lookers is one of the largest multi-franchise dealer groups in the UK, whilst Alpha Auto Group previously had no presence in the UK market

## Online marketplaces are expanding across the value chain themselves to become “dealers”



AutoTrader

- Auto Trader, the largest automotive marketplace in the UK, acquired online vehicle leasing broker Vanarama as part of its wider strategy to develop an online, end-to-end buying journey for consumers.
- Vanarama's personal leasing offering was cited as an attractive proposition considering the continuing trend towards vehicle usership, with leasing representing a compelling choice for buyers, particularly those considering EVs.

## Leading European car dealerships are very acquisitive with strong focus on size and EU footprint



bilia

- Bilia is expanding its dealership and service network in Sweden, Norway and across Europe, as well as strengthening their relationships with brands such as BMW, Jaguar / Land Rover, Mercedes and Toyota.
- Bilia is also seeking to increase its own activities and services along the downstream value chain (e.g. the sale of tyres and rims, rim repairs, car dismantling and used car part sales).

## Service providers in the automotive aftermarket are expanding along the value chain, from sourcing vehicles to selling into the c-segment



CONSTELLATION  
AUTOMOTIVE GROUP

- Constellation is strengthening its presence in B2B vehicle transport, storage and inspection activities, thereby ensuring it has sufficient capacity and availability as well as leveraging cost synergies.
- It is also strengthening its own B2C footprint across Europe with the acquisition of leading UK dealership network Marshall Motor Group, the acquisition of a 19.9% share in Lookers plc and the acquisition of Dutch online used car platform CarNext (expected to be one of Constellation's largest sourcing channels in the future).
- At the same time, Constellation's B2C online platform, Cinch, was recently supported by a >€1bn capital injection by Abu Dhabi and Singaporean state funds (and others)

# Notable deals in the industry

Continued.

OEMs as buyers / sellers, e.g. selling directly to consumers and underpinning their online sales with physical presences



- Scania acquired the Truck business of Bilmetro AB to strengthen its sales and service network.



- MAN acquired Heage Road Vehicle Services Ltd. to strengthen own dealership network footprint and to ensure presence in several key strategic locations.



- Volvo acquired Stockholm-based dealership Uppslands Motor and the retailer Bra Bil to facilitate a technology-led transformation of its retail operations in its home market.

Investments in promising mobility-on-demand and subscription services



- Funding for FAAREN, an online auto subscription platform.



- Minority investment for Vive La Car, a subscription-based online platform for the sale of cars and automotive parts.

Financial institutions and insurance companies expand core competencies and invest in their own retail channels



- Acquisition of Tusker by Lloyds Banking Group.



- Allianz holds a stake in Instamotion as well as in Heycar (via Allianz X).



- Vienna Insurance Group takes a 20% stake in Vive La Car.



- Santander acquired a majority stake in online car retailer Autodescuento and acquired Sixt Leasing via its JV with Hyundai, Hyundai Capital Bank Europe .

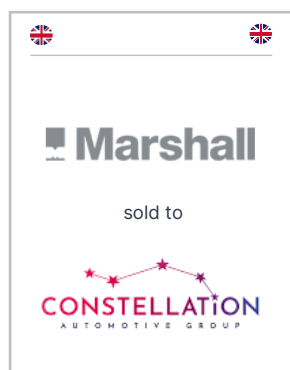
# Investec Capitalmind spotlights



Online leasing broker

## Sale of Autorama/Vanarama to Auto Trader plc for £200m

- Client: Autorama/Vanarama is a data-driven, e-commerce business that provides a self-service, one-stop-shop solution for leasing new cars and light commercial vehicles in the UK.



Car dealer network

## Sale of Marshall Motor Holdings plc to Constellation Automotive Group

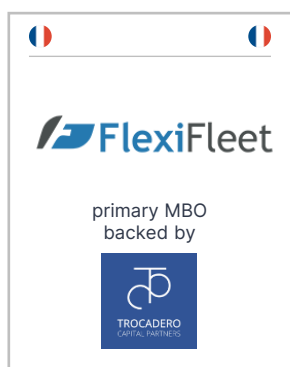
- Client: Listed dealership group that is the sixth largest in the UK with 160 dealerships representing 26 leading global OEMs, from Audi, BMW, Ford, Land Rover, SKODA, Mercedes-Benz to Volkswagen and Volvo.



Multi Mobility as a service

## Sale of XXimo to Mobinck, a subsidiary of AutoBinck

- Client: XXimo is a web-based Mobility Management System for business travel, including planning, payment and administrative processing of different mobility options.



Long-term car leasing

## Primary MBO of Flexifleet backed by Trocadero Capital Partners

- Client: FlexiFleet is a French-based provider of rental and long-term leasing to commercial drivers (taxi's, delivery vans, Uber etc.).

# Capitalmind | Investec

Strong transcontinental presence – with deal flow, sector knowledge and international reach, we achieve the best results for our clients

## The group in numbers

310

professionals globally

300+



global transactions p.a.

40%








cross-border transactions

## Our international presence


### USA

 Charlotte  
 New York




### EUROPE

 Amsterdam  
 Berlin  
 Copenhagen  
 Frankfurt  
 London  
 Paris  
 Zurich

### AFRICA

 Johannesburg

### ASIA

 Hong-Kong  
 Mumbai  
 Singapore

## Our services



Mergers &  
Acquisitions



Financing / Fundraising



Restructuring & Turnaround



Capital markets  
(IPO & debt-placements)

## Our sectors



Retail /  
Consumer



Food /  
Agro



Business  
Services



Healthcare

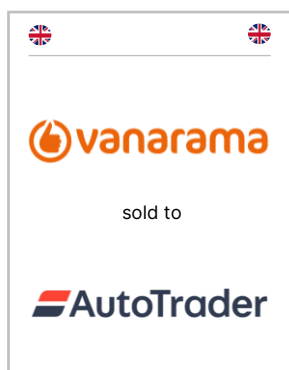


Industrials

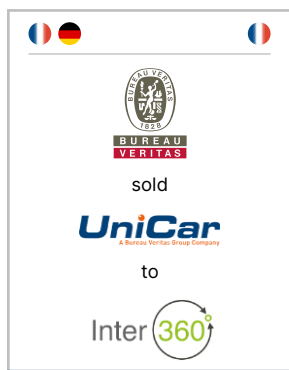


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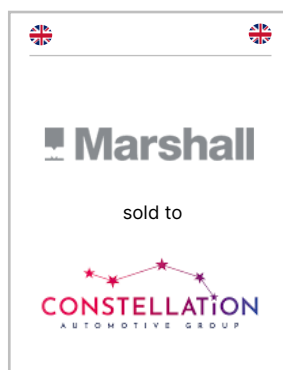
# Selected Capitalmind automotive downstream deals



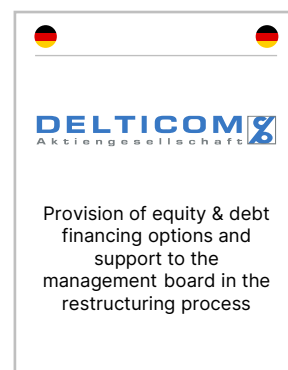
Online leasing broker



Automotive inspection services



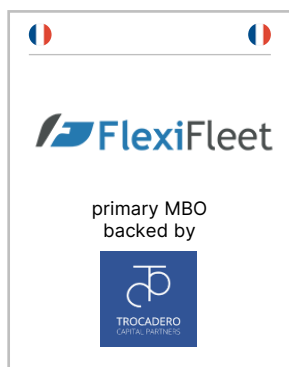
Car dealer group



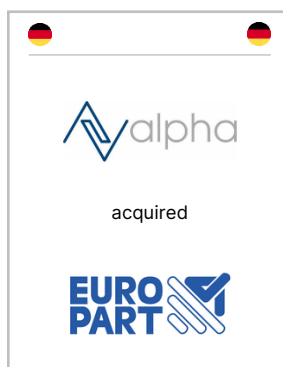
E-Commerce tires and automotive spare parts



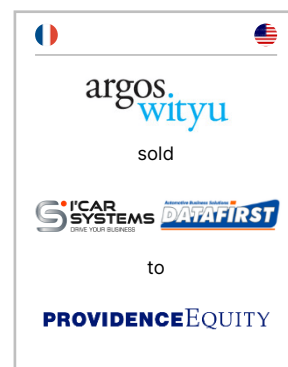
Multi Mobility as a service



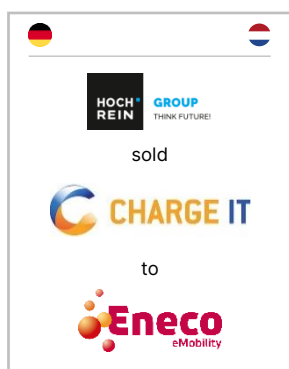
Long-term car leasing



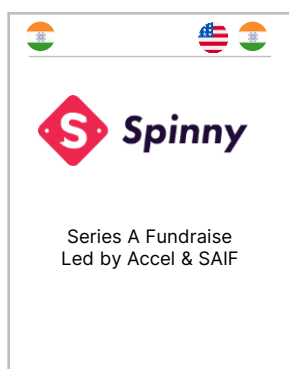
Commercial vehicle spare parts distributor



Software for automotive dealers



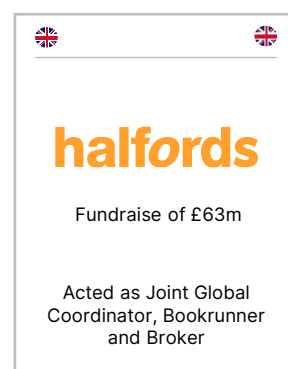
E-mobility charging



Leading used car retail brand



Car equipment E-Commerce



Automotive aftermarket products and services



# Our automotive and M&A experience

**Dan Sheahan**

Managing Director  
+44 787 966 69 51  
dan.sheahan@investec.co.uk

- Dan is Head of Investec's M&A team in the North of England and also leads Investec's automotive sub-sector initiatives nationally.
- Dan has over 20 years of experience advising entrepreneurs, private companies and shareholders seeking to raise finance or deliver M&A.
- Some of the notable transactions Dan has worked on include the sale of Tusker to ECI, Bridgepoint's acquisition of Zenith and the sale of Vanarama to Auto Trader.

**Peer Günther**

Senior Advisor Automotive  
+49 173 328 4638  
peer.guenther@capitalmind.com

- Peer has more than 30 years of experience in a wide range of automotive downstream industries, from special interest groups to OEMs to B2B volume marketers, specialising in the design and implementation of aggregated online sales and digital platforms.
- Before joining Capitalmind, Peer gained experience at the Automobile Club of Germany (AvD), at BMW, as Head of Marketing of the Business Unit Mobile Tradition, as well as at BCA (now Constellation Automotive Group) in different positions, among others he was Business Development Director Mainland Europe at BCA Europe.
- Peer is a sought-after advisor for several international start-ups, VCs, and PEs on M&A, change management, future strategy, e-commerce, meta-platforms and aggregation in the automotive downstream segments.

**Jürgen Schwarz**

Managing Director  
+49 177 413 2911  
juergen.schwarz@capitalmind.com

- Jürgen has been active for more than 20 years as a founder and entrepreneur in the digital retail environment and in international M&A advisory.
- Among others his previous milestones include: Co-Head of the German Deloitte M&A Consumer Practice for several years, Founder of an M&A boutique, Entrepreneur.
- Jürgen has many years of experience in advising (family-) entrepreneurs and corporates with international M&A transactions (buy und sell side) with a focus on the sectors Retail/Consumer and Food & Beverage.
- Jürgen is part of the internationally integrated Retail & Consumer team of Capitalmind, Investec and Regions Bank.



# Get in touch with our international team



**Bart Jonkman**  
Managing Director  
+31 6 20 21 14 33  
bart.jonkman@capitalmind.com



**Michel Degryck**  
Managing Director  
+33 14 824 62 99  
michel.degryck@capitalmind.com



**Markus Decker**  
Managing Director  
+41 78 899 59 91  
markus.decker@capitalmind.com



**Ches Riley**  
Managing Director  
+1 (704) 414-6306  
riley@blackarchpartners.com

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