

# **EDITORIAL – Johnson Controls set to make long planned exit from automotive**

**27-Jul-2015 13:00 GMT**

**S&P Global**

Supply Chain and Technology, Automotive

## Move comes amid busy period for mergers, acquisitions and divestments in the industry

Johnson Controls (JCI) has announced plans to spin off its automotive seating unit, creating an independent, publicly traded company. Bruce McDonald, Johnson Controls' vice chairman and executive vice president, will become chairman and CEO of the new business. The new company will remain a major player in the automotive industry; the automotive part of Johnson Controls' business reported USD22 billion in revenue in 2014.



JCI has been steadily reducing its exposure to the auto industry over the last couple of years as it focuses on its other product lines; batteries and building efficiency. In April, JCI reported net income had more than doubled year over year in the second quarter of 2015, though automotive revenue was down. Although, even if the company completely divested its “automotive” business, it would still make car batteries under its “power solutions” business. Alex Molinari, chairman and CEO believes selling the autos business will generate capital for needed to develop new products.

In May, it sold its 50% equity stake in Johnson Controls Pricol Pvt Ltd, – which manufactures instrument clusters, displays, and body electronics – to joint-venture (JV) partner Pricol. In February of last year it sold its headliner and sun-visor business to private equity firm Atlas Holdings, and in January of 2014, it sold its automotive electronics business to Visteon for USD265m.

The exit from automotive would be the culmination of a dramatic change of direction for the company. Just five years ago, Johnson Controls was involved in an aggressive takeover attempt of Visteon's interiors and electronics business, offering USD1.25bn for the combined units. Now both have diversified away from the struggling interiors part of the business.

The announcement by Johnson Controls comes at a time of increased numbers of mergers, acquisitions and divestments in the industry. Last week saw reports that Faurecia is considering selling its bumpers business and is in talks with private equity firms and suppliers for the deal that could fetch around USD450 million. Faurecia's bumper business is a part of the company's exterior unit, which generated sales of EUR2.1 billion in 2014, representing around 11% of its total revenues.

In addition to this, the last 12 months have seen ZF Friedrichshafen complete a deal for auto safety systems supplier TRW Automotive, Magna announce its intentions to acquire transmission manufacturer Getrag, and Pirelli on course to be sold to Chinese company China National Chemical Corporation (ChemChina).

But these headline-grabbing acquisitions have been accompanied by a number of much smaller movements as part of a long restructuring efforts by suppliers. Delphi has shifted from an extremely broad supplier to a much more focused one since being spun off from GM and going through a long bankruptcy. In the last year, Visteon has spun-off its stake in Halla Visteon Climate Control and its interiors business in India.

In an industry that has traditionally been very horizontally integrated, certain suppliers are becoming more focused on its core businesses. Delphi's sale of its thermal unit to MAHLE in February was part of a strategy that focuses on higher margin technology products supporting fuel efficiency, infotainment systems and autonomous driving, as a way of creating a strategic advantage. The company has slimmed down its business lines from over 100 products to just 33, looking at each product and making a decision whether to continue or close the business based on

performance.

## CONTACTS

### The Americas

+1 877 863 1306

### Europe, Middle East & Africa

+44 20 7176 1234

### Asia-Pacific

+852 2533 3565

[www.spglobal.com/mobility](http://www.spglobal.com/mobility)

Copyright © 2025 S&P Global Inc. All rights reserved.

These materials, including any software, data, processing technology, index data, ratings, credit-related analysis, research, model, software or other application or output described herein, or any part thereof (collectively the “Property”) constitute the proprietary and confidential information of S&P Global Inc its affiliates (each and together “S&P Global”) and/or its third party provider licensors. S&P Global on behalf of itself and its third-party licensors reserves all rights in and to the Property. These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable.

Any copying, reproduction, reverse-engineering, modification, distribution, transmission or disclosure of the Property, in any form or by any means, is strictly prohibited without the prior written consent of S&P Global. The Property shall not be used for any unauthorized or unlawful purposes. S&P Global’s opinions, statements, estimates, projections, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security, and there is no obligation on S&P Global to update the foregoing or any other element of the Property. S&P Global may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. The Property and its composition and content are subject to change without notice.

THE PROPERTY IS PROVIDED ON AN “AS IS” BASIS. NEITHER S&P GLOBAL NOR ANY THIRD PARTY PROVIDERS (TOGETHER, “S&P GLOBAL PARTIES”) MAKE ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE PROPERTY’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE PROPERTY WILL OPERATE IN ANY SOFTWARE OR HARDWARE CONFIGURATION, NOR ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS ACCURACY, AVAILABILITY, COMPLETENESS OR TIMELINESS, OR TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE PROPERTY. S&P GLOBAL PARTIES SHALL NOT IN ANY WAY BE LIABLE TO ANY RECIPIENT FOR ANY INACCURACIES, ERRORS OR OMISSIONS REGARDLESS OF THE CAUSE. Without limiting the foregoing, S&P Global Parties shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with the Property, or any course of action determined, by it or any third party, whether or not based on or relating to the Property. In no event shall S&P Global be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including without limitation lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Property even if advised of the possibility of such damages. The Property should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

The S&P Global logo is a registered trademark of S&P Global, and the trademarks of S&P Global used within this document or materials are protected by international laws. Any other names may be trademarks of their respective owners.

The inclusion of a link to an external website by S&P Global should not be understood to be an endorsement of that website or the website’s owners (or their products/services). S&P Global is not responsible for either the content or output of external websites. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process. S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global Ratings’ public ratings and analyses are made available on its sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge) and [www.capitaliq.com](http://www.capitaliq.com) (subscription), and may be distributed through other means, including via S&P Global publications and third party redistributors.