

EDITORIAL - Grupo Antolin purchase of Magna interiors typifies current trend in unit acquisitions

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Acquisitions and divestments part of greater strategy as suppliers focus on growing their core businesses

Grupo Antolin has closed its USD535 million deal for Magna's interiors businesses. A Grupo Antolin statement says that the business will become a new business unit within Grupo Antolin, headquartered near Munich, Germany. With this purchase, Grupo Antolin's sales will double to more than EUR4 billion (USD4.4 billion). Grupo Antolin will add the new unit, called 'Cockpits and Interior Trim', alongside its existing interiors businesses; Overhead Systems, Doors, Seating and Lighting.



The acquisition comes amid a busy period for mergers, acquisitions and divestments in the industry. The last 12 months have seen a number of deals including ZF Friedrichshafen complete a deal for auto safety systems supplier TRW Automotive and Magna announce its intent to acquire transmission manufacturer Getrag.

But outnumbering the large scale acquisitions of entire companies, there has been a growing trend; suppliers buying specific units from other suppliers' businesses. In the last month, Autoliv completed the acquisition of US-based MACOM technology Solutions' "Automotive Solutions" business for USD100 million cash, and Mann+Hummel has agreed to acquire Affinia's auto filter unit with reports suggesting a USD1.3-1.4 billion purchase price.

In addition, reports have suggested 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 exteriors unit, which generated sales of EUR2.1 billion in 2014, representing around 11% of its total revenues.

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

Both the restructuring and unit acquisitions are intended to have the same effect; suppliers becoming more focused on their core businesses and shedding those units not seen as part of that strategy. 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. The company has slimmed down its business lines from over 100 products to just 33, as a result of systematically looking at each product and making a decision whether to continue, close or sell the business based on performance.

In a similar vein Johnson Controls will spin off its automotive seating unit, creating a completely independent, publicly traded company. Bruce McDonald, Johnson Controls' vice chairman and executive vice president, will become chairman and CEO of the new business which will remain, albeit in its new form, a major player in the automotive industry; the automotive part of Johnson Controls' business reported USD22 billion in revenue in 2014.

CONTACTS

The Americas

+1 877 863 1306

Europe, Middle East & Africa

+44 20 7176 1234

Asia-Pacific

+852 2533 3565

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