

# EDITORIAL - Auto suppliers eye acquisitions of software companies

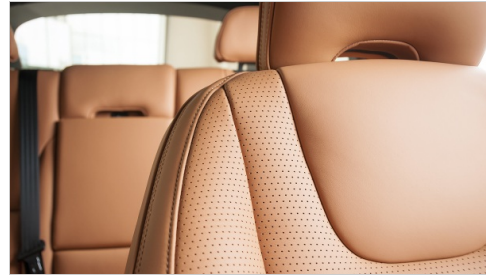
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**Arti Anand**

**S&P Global**

Supply Chain and Technology, Automotive

## Growth in connected car deployment, research into autonomous driving technology driving acquisitions of software companies



Many automotive component suppliers are investigating acquiring software companies to enable and enhance the integration of software offered in vehicles. Automotive software has been on a growth curve for many years in terms of feature importance, development cost, intellectual property significance, bill-of-material (BOM) cost, and many others. Because of this, software competency is growing in importance in the auto industry and all Tier 1s need more software resources and expertise. The growth in connected car deployment and research into autonomous driving technology will further add to the importance of automotive software.

Colin Bird, senior analyst, IHS Automotive, said, “Recent automotive software and software services acquisitions clearly demonstrate that the Tier 1s and carmakers have recognized the importance of these relatively unknown, mostly pre-revenue, start-ups. Other carmakers and big suppliers will be on the prowl to acquire software expertise and assets as well. For the remaining software companies, this likely dramatically increases their value and is a tremendous opportunity for new start-ups or other IT providers to enter automotive space. IHS expects to hear about other impending acquisitions in this space in the coming years.”

Many supplier acquisitions are prompted by the need to keep up with recent rapid changes in automotive technology. Globally, OEMs are racing to improve technology and enhance integration of various functionalities within a vehicle for more connected vehicles with autonomous driving capabilities and new infotainment equipment. New digital components, particularly those that form the backbone of connected car and infotainment features, are attractive to OEMs, making them merger and acquisition (M&A) targets for suppliers seeking to expand their offerings. For instance, in August this year, Panasonic acquired a German software company OpenSynergy, which specializes in embedded automotive software for cockpit solutions. OpenSynergy’s core products include modular software development kit COQOS SDK for cockpit controller and connectivity systems and the Bluetooth stack Blue SDK.

These products enable the convergence of instrument clusters, head units, advanced driver assistance systems, and car connectivity systems. The acquisition will enable integration of cockpit solutions and provide a better and intuitively easier driving support. In July this year, Visteon acquired AllGo Embedded Systems, a supplier of embedded multimedia and connectivity software solutions to the automotive industry. This acquisition will enable Visteon offer integrated solutions to its automotive customers including multimedia software and codecs and smartphone connectivity features.

In 2015, Continental acquired Elektrobit Automotive GmbH, a wholly owned subsidiary of Finnish Elektrobit Corporation. The acquisition strengthens Continental’s expertise in multimodal HMI (human machine interface), infotainment systems, digital instrument clusters, navigation software, and integration software tools for electronic control units (ECUs) and in driver assistance and autonomous driving technologies. Similarly, Harman acquired two companies, Symphony Teleca and Red Bend, in late January last year for a combined value of USD950 million. Symphony Teleca was mostly a software services company with about 8,000 employees that are primarily software engineering and designers. Symphony Teleca’s revenues were about USD370 million in 2014, of which 50% came from automotive and mobile verticals. The company is focused on the intersection of the cloud, mobility and analytics. Red Bend is the leading provider of the remote software

updates or over-the-air (OTA) solutions for smartphones and handset manufacturers and mobile carriers. Red Bend is focused on managing OTA updates for firmware, middleware, third party apps, and other services. It has key technologies for cyber security and in the Internet of Things (IOT) vertical markets. Harman is already a leader in automotive software among Tier 1s, but this will further strengthen its position to get future OEM infotainment design wins, which are increasingly dependent on software capabilities.

Recent Automotive Software Acquisitions		
	Information	Comments
<b>Panasonic</b>	<ul style="list-style-type: none"> <li>Acquired OpenSynergy</li> </ul>	<ul style="list-style-type: none"> <li>Specializes in embedded automotive software for cockpit solutions</li> </ul>
<b>Continental</b>	<ul style="list-style-type: none"> <li>Acquiring Elektrobit automotive software group</li> <li>Price is USD680 million</li> <li>Automotive revenue of USD171 million in 2014</li> </ul>	<ul style="list-style-type: none"> <li>Includes 51% of e.solutions (SW for VW-Audi)</li> <li>Includes ADAS software</li> <li>Automotive employees of 1,890</li> </ul>
<b>Harman</b>	<ul style="list-style-type: none"> <li>Acquired Symphony Teleca in Jan 2015</li> <li>Purchase price of USD780 million</li> </ul>	<ul style="list-style-type: none"> <li>Leader in automotive software services</li> <li>Revenue of USD370 million with 8,000 employees</li> </ul>
<b>Harman</b>	<ul style="list-style-type: none"> <li>Acquired Red Bend in January 2015</li> <li>Purchase price of USD170 million</li> </ul>	<ul style="list-style-type: none"> <li>Leading Smartphone OTA company</li> <li>Entering automotive OTA market</li> </ul>

## CONTACTS

### The Americas

+1 877 863 1306

### Europe, Middle East & Africa

+44 20 7176 1234

### Asia-Pacific

+852 2533 3565

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