

# Selling Automotive Suppliers in Difficult Times



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Times have never been tougher for Automotive suppliers anywhere in the world as in spring 2020. Dr. Burkhard Weber, Partner at IMAP Germany, talks about the new challenges brought about by the COVID-19 pandemic and its impact on an already difficult landscape in the automotive sector.

The COVID-19 global health crisis and its fallout, including the multilateral production shutdown of many of the most important automotive OEMs across Europe and North America, along with a disruption of otherwise well functionable supply chains, pose an enormous challenge to automotive suppliers – many of which are family-controlled enterprises with limited resources. Despite generous government support to keep businesses afloat, the reality-check is yet to come, whereby we will see which businesses will prevail and which are unable to survive in their current set-up. Even worse, surviving the crisis will not eliminate the existing challenges facing the Automotive sector: managing the transition to alternative drive technologies, in particular e-mobility, autonomous driving and individual mobility.

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and after the crisis. It is expected that a considerable number of entrepreneurs will soon look to raise restructuring capital or consider an outright sale to secure existing family wealth locked up in their businesses. Larger groups are expected to accelerate decision-making to spin off non-core businesses, especially when they turn cash negative and require bolstering the equity base.

## Securing a Long-Term Future for the Business

With such a challenging landscape and still so many uncertainties over the coming months, for some businesses, selling to a new owner willing to commit time and resources in order to turn the business around, is a highly desirable option. IMAP Germany, with its years of experience in the Automotive sector has access to strategic buyers and financial investors specialized in acquiring businesses in special situations. There are no less than 2 dozen of such organizations based in German-speaking Europe, keen to acquire companies under some form of distress, such as shareholder crisis, liquidity crisis or management crisis. They typically infuse fresh equity and commit management resources in order to turn the target around, frequently teaming up with current shareholders, e.g. owner family members granting a minority share, which is likely to be worth

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more post turnaround versus than the current sole family ownership is now and probably has been for some time.

IMAP Germany recently advised on the successful sales of 3 automotive suppliers, all of which were operating in a challenging trading environment. The investors were both publicly listed and private investor groups focusing on special situations.

1. In the second half of 2019, the IMAP Germany team advised the family shareholders of Kirchhoff GmbH & Co. KG on their sale to listed industrial holding company, Mutares AG. The family, being passive shareholders and no longer involved in managing Kirchhoff, unanimously decided to sell the business to an investor as they were lacking the financial resources needed to operate the company in future years. Listed industrial holding company, Mutares AG, added Kirchhoff to its "Automotive & Mobility" investment platform aiming to optimize its operating cost structure, diversify Kirchhoff's revenue base and undertake suitable add-on acquisitions. Founded in 1939 and with sales of over €100 million, Kirchhoff operates plants in Germany and Poland, employing 800+ staff across the group. For decades it has been known in the market for its automotive bodysell related products, such as locking systems, hinges, connectors and mechatronic systems for the various VW Group brands.

2. Just prior to March 2020, with the COVID-19 crisis already emerging in Asia, IMAP Germany closed on the sale of the body-in-white tool & die manufacturing business of Schuler AG, one of the world's largest manufacturers of presses, to Accursia Capital and Navigator Capital, 2 specialized private equity investors based in Munich. The investors had teamed up to add the unit to a recently formed buy-and-build platform to develop Deutsche Werkzeugbau, a group designed to bring single tools and die making businesses under a larger group umbrella holding company, thereby realizing synergies in administration, procurement and sales to automotive OEM customers offering a comprehensive tool and die making solutions portfolio. The business unit, now called Cartec Tooling, is one of the leading specialists in Germany in the design and manufacturing of body panel tools and dies for outer skin car panels and body-in-white parts. Customers include most German automotive OEMs, as well as a number of Tier-1 suppliers. With 2 locations in Göppingen and Weingarten, Cartec Tooling employs about 200 staff and had been operated as a non-core unit of Schuler Pressen for some time before Schuler decided that it would no longer be the best owner, unable to commit further resources to a business facing toughening trading headwinds, as funds were considered more urgently needed in Schuler's traditional core press manufacturing units.

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 <p>has been acquired by</p>  	 <p>Acquired 'Body Panel Göppingen' Business Unit from</p>  	 <p>Acquired 100% of Business Operations</p>  
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**3.** Lastly and also in March 2020, IMAP Germany closed on the third sale of an automotive supplier, advising BOS Group in the sale of etm – engineering technologie marketing GmbH, a supplier of components and systems made of synthetic and elastomer materials for visible and non-visible areas of automobiles. Despite only being acquired back in 2014, it turned out that etm was not meeting the synergy expectations of BOS, a family-controlled, international Tier 1 supplier to the Automotive industry, with offices in Europe, North America and Asia and specializing in vehicle interiors. Consequently, etm has been picked up by Callista Private Equity, a special situations investor who focuses on corporate carve-outs and is determined to steer the business through the COVID-19 crisis and fund its future growth.

In each of the 3 transactions, IMAP Germany lead a structured and competitive sale process, which included the presentation of the equity story, soliciting bidder interest from China, India, Japan and the USA, as well as from Eastern European

countries. In addition, it drew the interest of many financial investors. IMAP enabled bidder due diligence and assisted with parallel negotiations of a sale and purchase agreement with multiple finalists. In each of the disposal processes, IMAP Germany solicited multiple indicative offers, and in one case, achieving double-digit figures.

Employing a considered, well prepared and structured approach, even when facing expediated timeframes, along with strict focus throughout the process, ensured IMAP Germany was able to achieve a successful outcome and added value to all the stakeholders; shareholders, suppliers, OEM customers and local financing institutions.