

# M&A Case Study - Example

## Continental's acquisition of Siemens VDO Automotive

### Continental Overview

- Leading automotive industry supplier, concentrating on tire and brake technology, vehicle dynamics control, electronics and sensor systems
  - Employs around 87,000 people in more than 100 locations
  - Organised into four divisional areas for Automotive Systems, Passenger and Light Truck Tires, Commercial Vehicle Tires and ContiTech
  - Worldwide corporation with a market capitalization of around €14,480m
- Continental brands currently include General Tire, Uniroyal, Semperit, Ate, Schwing Metals and Benecke-Kaliko

### Transaction Summary

- Continental acquired Siemens VDO Automotive from Siemens in July 2007 for €11,400m
  - Transaction offered Continental net synergy potential of at least €170m per year as of 2010 and a tax benefit of €1bn
- The acquisition is the largest in Continental's 136 year history, forming an automotive supplier at the forefront of the global market
  - Combined entity has sales of over €24bn and around 140,000 employees
- Transaction complements Continental's strategy of creating value and promoting growth, forging ahead into the development of a full-range, integrated systems supplier
- In line with Siemens strategy of streamlining their business portfolio towards core business activities

### Siemens VDO Automotive Overview

- Leading international supplier of automotive electronics and mechatronics, manufacturing products relating to the drivetrain, engine management electronics and fuel injection
  - Presence in over 130 locations in 80 countries
  - Over 50,000 employees
- Organised into three divisional areas for powertrain, interior electronics & infotainment and safety, chassis & commercial vehicles

### Target Key Financials

- |                     |               |
|---------------------|---------------|
| ■ Target financials | (FYE Dec 06): |
| – Sales:            | €10,017m      |
| – EBITDA:           | €1,084m       |
| – EBIT:             | €669m         |

### Deal Statistics

- |                              |          |
|------------------------------|----------|
| ■ Transaction consideration: | €11,400m |
| ■ Implied valuation metrics: |          |
| – EV / Sales:                | 1.14x    |
| – EV / EBITDA:               | 10.5x    |
| – EV / EBIT:                 | 17.0x    |

Source: Company documents, Factiva, Mergermarket