



# Sector Insight

Automotive Technology



# What's inside

## AUTOMOTIVE TECHNOLOGY

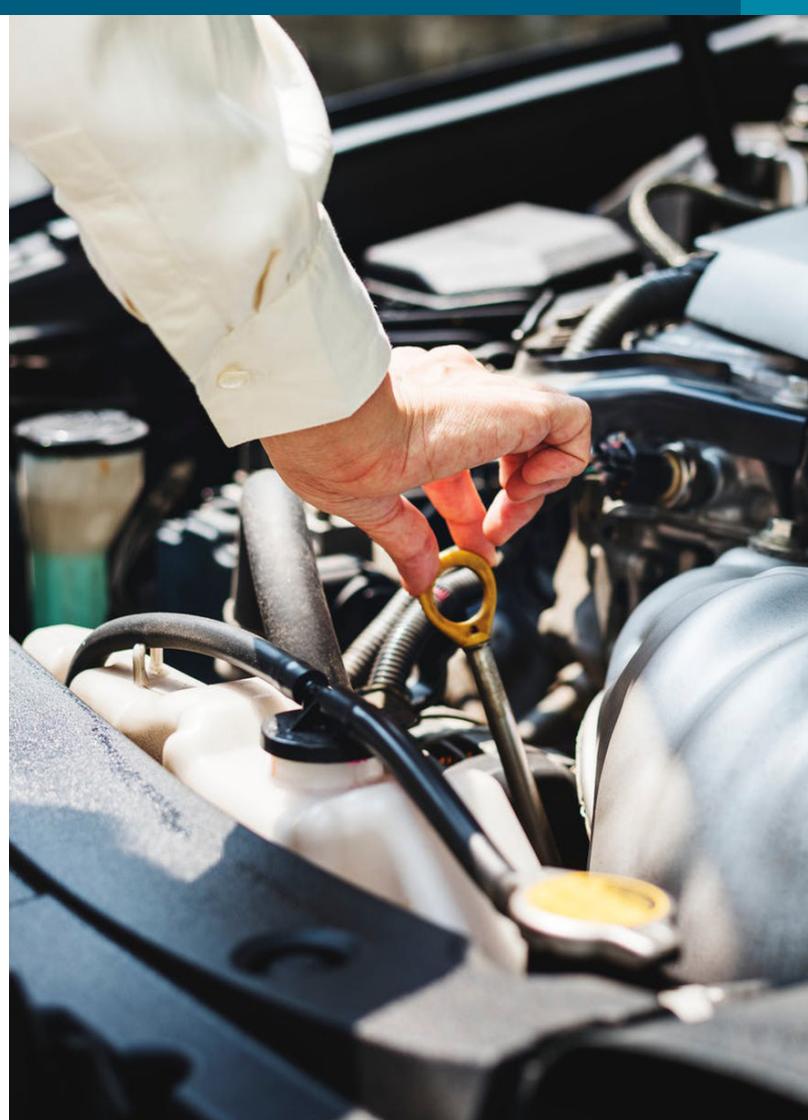
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# Marketplace

The automotive industry is facing a time of unprecedented change as technology and software drive innovation within the industry.

There is a continuous shift towards vehicles that are Automated, Connected and Electrified (ACE) as consumers demand environment friendly, connected vehicles.

Automotive technology start-ups are able to thrive in the industry with low barriers to entry and huge amounts of investment from government bodies.



# Market outlook

## ENTERPRISE APPLICATIONS

Industry commentators are predicting that the traditional ownership model of a car will be disrupted by car clubs, leased car pools and ride-sharing apps offering autonomous, electric vehicles.

Many dealerships already state that consumer enquiries focus on available monthly spend rather than the type of vehicle – highlighting the consumer is already moving to a monthly cost model.

In order to keep up with a shift in traditional ownership, dealerships and OEM's are looking to deploy enterprise applications in order to improve their sales strategy and manage their resources effectively. Profit margins are likely to be squeezed by new ownership models, so by improving CRM and ERP systems OEMs and dealers can focus on improving in other areas. Systems are being designed specifically for the Automotive Industry using data collected from all aspects of the vehicle life cycle.

Software designed to interpret this data will allow for operational efficiencies to be gained. Quotevine, a business that specialises in providing SaaS solutions including digitised automotive finance recently raised £2.2m investment from NVM highlighting there is private equity appetite for this type of business – with other industry players following suit (such as LDC's investment in Evolution).

## INTERNET COMMERCE & CONTENT

There has been a significant rise in E-Commerce across the retail sector with, according to Cox Automotive, 71% of prospective customers researching deals online before committing to a purchase.

Technology companies such as Carwow are allowing customers to research their vehicles prior to stepping on forecourts. This provides more power to the consumer as vehicle and price comparisons are easy to access. Motorway Online recently secured £11m funding showing the demand for automotive comparison websites. Online software also allows customers to configure their vehicles through OEM websites before being delivered at their door for test drives.

As vehicle ownership decreases and there is a continuous shift towards on-demand shared usage, it is likely that the future of automotive retail will move further away from bricks and mortar dealerships towards remote, online software supported by central product specialist call centres.



*“Many dealerships already state that consumer enquiries focus on available monthly spend rather than the type of vehicle – highlighting the consumer is already moving to a monthly cost model.”*

# Market outlook

## EMBEDDED SOFTWARE & SYSTEMS

**With 40% of personal mileage predicted to be autonomous by 2030 (PwC), autonomous and connected technology is being developed at a rapid rate.**

By 2025, 95% of vehicles are expected to be connected, allowing them to interact with other devices, vehicles and objects outside.

The UK is investing significant sums in 5G and connected cars. This has enabled private investment in the sector such as self-drive start-up firm Oxbotica, who raised £14m in 2018. We expect the UK to be well placed to become a global leader in automotive technology. It is predicted that autonomous and connected technology will add £51 billion to the UK economy by 2030 (KPMG).

Advanced Driver Assist Systems (ADAS) such as blind spot monitoring are already common in vehicles today, with Lane Keep Assist and adaptive cruise control increasing in popularity. Platooning for commercial vehicles is also set to trial on UK roads in Summer 2019. The technology aims to increase fuel efficiency and reduce driver error.

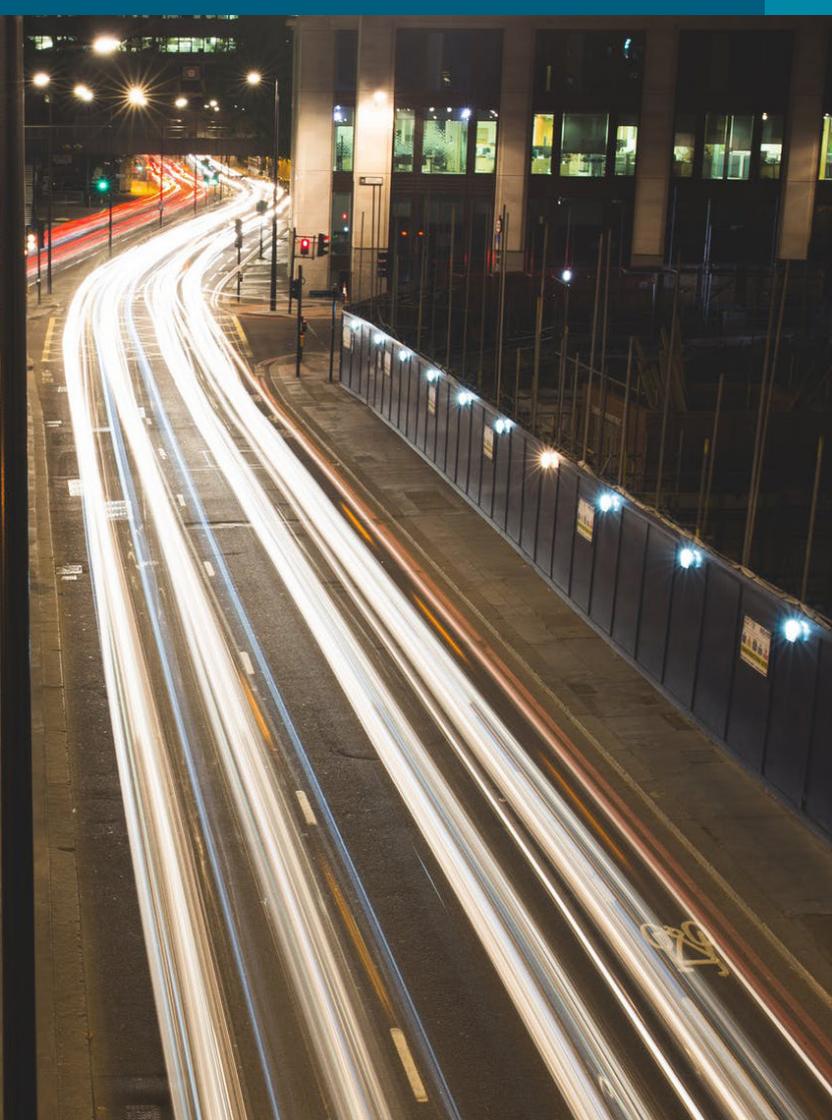
## MOBILITY & FLEET MANAGEMENT

**The shift towards ACE vehicles means mobility technology is becoming increasingly important.**

The government's ambition for 50-70% of new cars to be electric by 2030 means electric technology and infrastructure is a huge area for growth.

The development of telematics is allowing vehicles to be more connected, reducing the costs associated with vehicle use. Insurance companies use telematics to monitor private driver performance and offer lower premiums as a result. The same technology is allowing fleet operators to reduce SMR costs also.

Fleet management software allows managers to monitor performance, usage and damage to minimise time off the road. Interest in analysis of this data is shown by BGF's investment in Collision Management Systems in 2018. Fleet management software is also able to interpret this data and plan routes and vehicles effectively reducing operating costs.



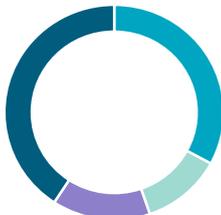
# M&A assessment

In the UK, transactions in the Automotive Technology sector are led by trade acquirers as OEMs and Tier 1 suppliers look to vertically integrate new technologies to enhance their proposition.

Transatlantic deals appear to be more popular than European deals as the UK and US lead investment in connected and autonomous vehicle technologies. We have seen nervousness amongst European purchasers around the UK's position in the EU. We would expect this to change in the coming years. Especially as France and Germany have announced significant Governmental investment into automotive technology.

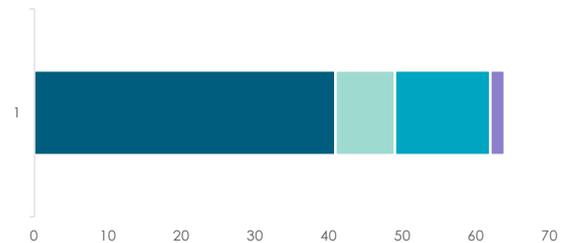
The shift towards shared ACE vehicles is driving deal volumes within Enterprise Applications and Mobility & Fleet Management.

## DEALS BY SUB-SECTOR IN THE LAST 5

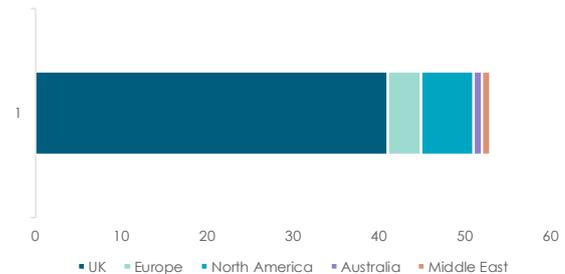


- Enterprise Applications
- Internet Commerce & Content
- Embedded Software & Systems
- Mobility & Fleet Management

## ACQUIRER OF UK COMPANY BY REGION



## TARGET OF UK COMPANY BY REGION



- UK
- Europe
- North America
- Australia
- Middle East

# Sector transaction:



At Smith Cooper Corporate Finance we recently completed the sale of Prestige Fleet Servicing to the AA plc in a deal valued at £11m.

Prestige is a rapidly growing technology-led supplier of Service, Maintenance and Repair (SMR) services to vehicle fleet and leasing companies.

The Prestige acquisition provides the AA with a strong and profitable platform from which to further strengthen its presence in SMR, working with fleet and leasing companies and supporting its OEM partners. The AA already works with more than 60% of the fleet market and many AA customers already utilise the Prestige network. In time the technology will enable the AA to strengthen its consumer membership service whilst reducing its service costs.

The partnership between the AA and Prestige highlights that technology will impact all areas of the automotive industry and fortune should favour those that invest in technology.



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*At Smith Cooper Corporate Finance, we start by thoroughly understanding your objectives and business issues before creating highly flexible, innovative solutions that fit your needs.*

*We deliver practical, commercially-viable advice with positivity, and tenacity. We strive to deliver exceptional service quality, irrespective of the size of the deal, by building close relationships with clients, keeping them well-informed and providing a proactive service to guide them every inch of the way.*

*The corporate finance team regularly features as one of the most active dealmakers whilst consistently delivering the highest quality service; this has been recognised by many industry awards, and is evidenced repeatedly in client testimonials.*

*Sector Insights is a condensed summary of activity provided as a service by Smith Cooper Corporate Finance. Professional advice should always be taken when making any investment decisions.*