



AUTOMOTIVE

Deal flash, April 2018

LEADING FINNISH IMPORTER AND DISTRIBUTOR OF KIA AND MITSUBISHI VEHICLES JOINS GLOBAL DISTRIBUTION GROUP HEADQUARTERED IN SPAIN

Deal snapshot

- Delta Motor Group (subsidiary of Delta Auto Group Ltd.), the exclusive Finnish importer and distributor of KIA and Mitsubishi vehicles and spare parts, has sold its import and distribution activities to Bergé Auto, one of the leading international multi-brand distributors and retailers headquartered in Spain. Financial details for this transaction are confidential.
- Delta's group of companies operate throughout total vehicle lifecycle, from import, distribution of new vehicles and spare parts to retail, including after-sales activities as well as multi-brand used car sales. Delta distributes new cars to its own dealership network and to independent dealers. After the successful turnaround and reorganization of the group of companies by an international private equity investor, the owners decided to sell the group's Kia and Mitsubishi import and distribution business in a structured sale process. The vendor chose a strategic partner who is able and willing to grow the business as a reliable partner for Delta's retail activities, which will remain under private equity ownership.
- Bergé Auto, a subsidiary of Bergé y Cia., is a leading automotive distributor in Europe and Latin America. Since 1979, Bergé Auto has established itself as a strategic, long-term partner for most of the world's leading brands. This acquisition represents a unique opportunity for the company to enter the Nordic market with a well-known brand portfolio. This transaction will also strengthen and increase the firm's Kia and Mitsubishi share as an independent partner.



Transaction rationale

An independent private equity investor acquired Delta as a turnaround case. During the last years, he successfully realigned the overall brand strategy and operational processes. A strong and experienced management team shaped the import and distribution business into a sustainably profitable unit with strong brand awareness and increased market share. Having achieved its goals, the investor decided to dispose of Delta's import and distribution activities in order to concentrate on the company's retail unit.



Our role in the transaction

Oaklins' German team led the process as the exclusive M&A advisor to the seller in this cross-border transaction while Oaklins' team in Spain supported the deal team and introduced Bergé Auto. Oaklins' Dutch team contributed in the early stages with its industry expertise. During a very complex and competitive process with a small number of suitable bidders, Bergé Auto proved to be the most suitable investor due to its operational expertise and international scale.

Market trends and deal drivers

- Although volume forecasts are positive, distribution and retail businesses will have to align with changing consumer behavior, which is strongly influenced by e-commerce. The decision-making process consumers employ to buy a vehicle is changing significantly in our information- and technology-driven society. Showrooms are becoming "virtual" and retail locations are switching to pop-up locations in city centers and shopping malls. These trends will impact car distribution as well as retail activities.
- The market for the import and distribution of mass brands is predicted to consolidate further. Small markets are serviced by independent and specialized partners who can grow significantly by expanding into new markets. In order to secure safe access and development perspective, OEMs are relying strongly on established partners in these smaller markets.
- Finland's positive and sustainable GDP development, combined with the highest average age of registered cars in Europe, increases the potential demand for new cars in the country, making the Finnish market highly attractive.

M&A valuation aspects

Major valuation drivers are revenue and profitability, the company's brand portfolio, market share and growth perspective, as well as GDP development of the relevant economy. Furthermore, valuation is strongly impacted by different operational factors such as cluster risks throughout the value chain and inventory financing instruments.

Oaklins industry specialists



✉ **Martin Kanjuh**, Director, Oaklins, Germany

"Automotive distribution is an attractive sector for strategic buyers within a highly competitive market environment. The key to successfully executing a transaction in this sector is a profound understanding of the drivers of each player involved as well as the execution expertise. This acquisition enables Delta to further develop business opportunities in the Finnish and Scandinavian markets."



✉ **David Klonecki**, Senior Associate, Oaklins, Germany

"The valuation range in this industry varies significantly, but well-positioned companies receive highly attractive valuations. Value drivers have to be identified on a case-by-case level and promoted with the right timing during a structured process."

OAKLINS HAS CLOSED 155 DEALS IN AUTOMOTIVE

Oaklins is the world's most experienced mid-market M&A advisor, with 700 professionals globally and dedicated industry teams in 40 countries worldwide. We have closed over 1,500 transactions in the past five years.