

Tire Distribution & Manufacturing Global Industry Review

The Merger & Acquisition Environment – 1H 2017 Summary Report

The second half of 2016 saw a recovery driven by a number of factors such as: (i) a stock market surge; (ii) increased optimism from the construction and industrial sectors following the US presidential election; and (iii) the ubiquitous need for growth on the part of large industrial participants seeking expansion opportunities opposite a soft macro environment.

The beneficial macro trends from 2H16 continued during 1H17 as the active consolidation trend in the global Tire Distribution and Manufacturing industries continued. The volume of deals increased over the same period last year, with retail (+5), wholesale (+2), and manufacturing (+2) driving the majority of the year-over-year increase versus 1H16.

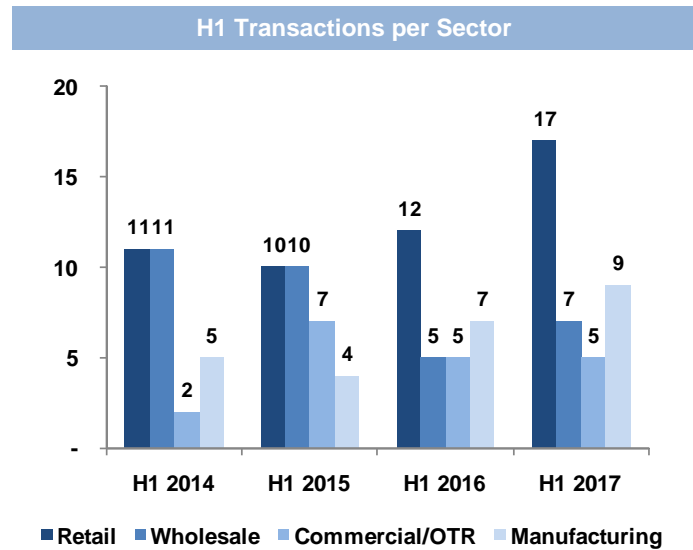
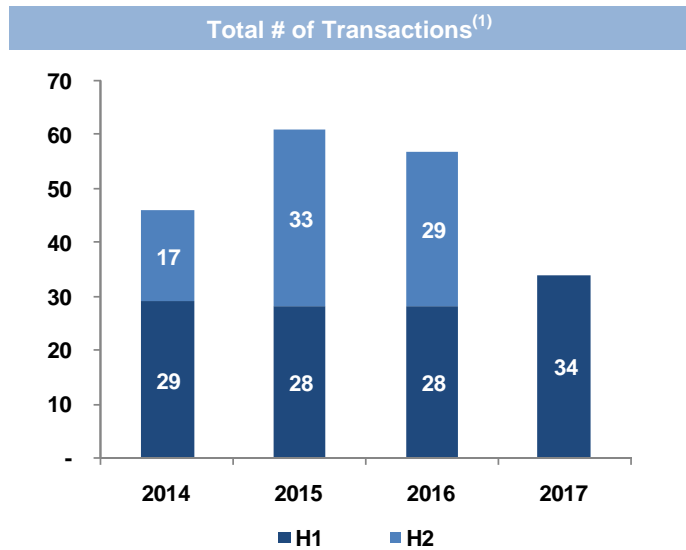
Based on the number of recent inquiries received from business owners, founders and senior executives, there remains considerable interest in sales and divestitures in the near and intermediate term, which we expect will continue to enable and drive the consolidation trend. The following summary captures the global activity over the first half of 2017, with notable transactions expanded upon.



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Historical M&A Trends - By Period / By Sector



(1) Double-count of transactions which are included in multiple industry sub-sectors/categories, have been removed.

Retail: Transactions in the US drove an increase to 17 transactions during the first half of 2017, versus 12 during the prior year and 10 during the same period 2015.

Retail M&A Transactions - 1H2017					
Seller(s)	Buyer	Location	Month	Market Segment	# Locations
Pneus Legros (First Stop)	Vulcro	France	Jun	Retail distribution/services	17
REIFF's Tyre and Automotive Technology	European Tyres Distribution Limited	Germany	Jun	Retail/wholesale distribution	46
Burke Centre Automotive	Wiygul Automotive Clinic	USA	Jun	Retail services and car wash	1
Express Oil Change, Tire Engineers	Golden Gate Capital	USA	Jun	Retail services	300
Precision Auto Care, Inc. (OTCPK:PACI)	Icahn Enterprises L.P.	USA	Jun	Retail services	250+
Kelly's VIP Auto Service Center (1 location)	Plaza Tire Service	USA	May	Retail distribution/services	1
Mathis Tire & Auto Service	Pep Boys - Manny, Moe, & Jack	USA	May	Retail/wholesale distribution	12
Car-X Tire & Auto	Monro Muffler Brake, Inc.	USA	Mar	Retail distribution/services	16
Safeway Tire & Auto	Telle Tire & Auto Service Inc.	USA	Mar	Retail distribution/services	1
JAXQuickfit Tyres	Hankook Tire Co., Ltd.	Australia	Feb	Retail distribution/services	83
SpeeDee Oil Change & Auto Service	Grease Monkey International Inc.	USA	Jan	Repair and maintenance services	100+
Becker Tire & Treading Inc.	K&M Tire Inc.	USA	Jan	Retail/wholesale tire distribution & retread	9
Just Brakes L.L.C.	Pep Boys - Manny, Moe, & Jack	USA	Jan	Retail repair and maintenance services	134
Groupe Ayme	Bridgestone Europe NV/SA	France	Jan	Retail distribution	104
CARE Autoschade B.V.	Schadenet B.V.	Netherlands	Jan	Retail services	64
Micheldever Tyre Services Ltd.	Sumitomo Rubber Industries Ltd	UK	Jan	Retail/commercial/wholesale distribution and services	114
Meyer's Automotive, St. Louis store	Telle Tire & Auto Service Inc.	USA	Jan	Retail distribution/services	1

Golden Gate Capital

- **Golden Gate Capital** has acquired **Express Oil Change & Tire Engineers** from Carousel Capital. Express Oil has approximately 300 locations across 15 states, offering oil changes, automotive maintenance and repair, and tire sales and services.

Hankook Tire

- South Korea based **Hankook Tire** has agreed to acquire one of Australia's largest tire retailers in **JAX Quickfit Tyres Ltd.** Jax consists of 83 franchise stores throughout eastern Australia. Hankook expects significant synergies from the acquisition combining Jax's franchise capabilities with Hankook Tire's global footprint.

Icahn Enterprises

- **Icahn Enterprises** is acquiring **Precision Auto Care, Inc.**, a 250-location franchising operation. This acquisition adds to the Icahn owned Pep Boys, with over 1,000 locations.

Pep Boys

- **Pep Boys** has acquired **Mathis Tire & Auto Service** and **Direct Tire Distributors**, adding 12 automotive service and tire dealer locations to its network in the Memphis, Tennessee area.

Sumitomo Rubber Industries

- **Sumitomo Rubber Industries, Ltd.** of Japan acquired United Kingdom based **Micheldever Tyre Services Ltd.** from Graphite Capital Management LLP. for GBP215 million. Micheldever is a retail and wholesale leader in the UK with sales of approximately GBP320 million in the fiscal year ending March 31, 2016. With the acquisition, Sumitomo sees acceleration of its "Business Expansion in Europe and North America" action plan, and will greatly strengthen the market position of its Falken tire brand in the UK.

Wholesale: Transaction activity levels picked up modestly during the first half of 2017, with 7 transactions, up versus 5 during the prior year, and down versus 10 during the same period 2015.

Wholesale M&A Transactions - 1H2017				
Seller(s)	Buyer	Location	Month	Market Segment
REIFF's Tyre and Automotive Technology	European Tyres Distribution Limited	Germany	Jun	Retail/wholesale distribution
Pneus Supérieurs Inc.	American Tire Distributors Inc.	Canada	Jun	Wholesale tire distribution
Itaro	Pneustore	Brazil	Apr	Online car tire distribution
Fintyre SpA	Bain Capital	Italy	Mar	Wholesale tire distribution
Van Aalderen Twen-Tyre B.V.	T.T.I. Tyre Trading International B.V.	Netherlands	Feb	Wholesale tire distribution
Becker Tire & Treading Inc.	K&M Tire Inc.	USA	Jan	Retail/wholesale tire distribution & retread
Micheldever Tyre Services Ltd.	Sumitomo Rubber Industries Ltd	UK	Jan	Retail/commercial/wholesale distribution and services

American Tire Distributors

- **American Tire Distributors** acquired **Pneus Supérieurs Inc.** of Quebec, adding three distribution centers and expanding its Canadian network of operating warehouses to 24.

Bain Capital

- In March, **Bain Capital** acquired **Fintyre**, an Italian tire wholesaler. Fintyre had sales of ~\$440MM in 2016. The controlling stake was acquired by Bain from BlueGem Capital Partners. Bain will work with the Fintyre management team in order to grow the company further toward a leadership position in tire wholesale and retail distribution in Italy and Europe.

Commercial/OTR: the first half saw 5 commercial/OTR transactions, equivalent to the same period last year and down from 7 during the same period 2015.

Commercial/OTR M&A Transactions - 1H2017				
Seller(s)	Buyer	Location	Month	Market Segment
TCi Tire Centers (27 locations)	Snider Tire, Inc.	USA	Jun	Commercial, OTR, retread plants
P.J. Dooling Tire Co.	McCarthy Tire Service Co. Inc.	USA	Jun	Industrial and OTR tire sales and service
Scranton-Dunlop, Inc., commercial division (Sandone Tire)	McCarthy Tire Service Co. Inc.	USA	May	Commercial tire sales and services
Tyre Corporation	Kal Tire	S. Africa	Apr	Underground mining tire services & sales
Micheldever Tyre Services Ltd.	Sumitomo Rubber Industries Ltd	UK	Jan	Retail/commercial/wholesale distribution and services

Kal Tire

- **Kal Tire's Mining Tire Group** has acquired the South African operations of **Tyre Corporation**, a market leader in underground mining tire services and sales. The acquisition expands Kal's reach in the country with the addition of 800 team members across 80 mine sites.

McCarthy Tire Service Co

- **McCarthy Tire Service**, the sixth largest independent tire dealership in North America with over 50 retail, commercial, and retreading locations, has purchased **P.J. Dooling Tire Co.**, an OTR tire dealership in Philadelphia, expanding its existing footprint in the area.

Snider Tire, Inc

- **Snider Tire, Inc.** acquired 27 commercial locations from **TCI Tire Centers**, a subsidiary of Michelin North America. The deal extends Snider's distribution network reach to 75% of the continental United States, and grows Snider's network to over 80 commercial tire and mechanical service locations.

Manufacturing: Activity picked up during 1H17, with 9 transactions versus 7, and 4, during the same period in 2016 and 2015 respectively. As with the prior year period, the majority of the transactions occurred outside of the United States.

Manufacturing M&A Transactions - 1H2017				
Seller(s)	Buyer	Location	Month	Market Segment
mefro wheels GmbH	Accuride Corporation	Germany	Jun	Manufacturer of truck/trailer wheels
Dongah Tire & Rubber (spin-off)	DTR Automotive	S. Korea	Jun	Manufacturer of car and truck tires
UNIWHEELS AG [WSE:UNW]	Superior Industries International, Inc.	Germany	May	Manufacturer of aluminum wheels
Marangoni S.p.A. (solid tyre business)	Onyx Industries FZC	Italy	May	Manufacturing and distribution of solid tires products
Guilin Beili Tyre Co., Ltd., Prometeon Tyre Group S.r.l.	Aeolus Tyre Co., Ltd.	Italy / China	Apr	Manufacturer of tires
Aichi Tire Industry Co., Ltd.	The Yokohama Rubber Company, Ltd.	Japan	Mar	Producer of solid industrial tires
Weld Racing L.L.C.	Cisneros Corp. (MOMO Automotive Group)	USA	Jan	Manufacturing of aftermarket and racing wheels
Toyota Tsusho [TYO: 8015]	Nexen Tire [KRX:002350]	Japan	Jan	Manufacturer of car and truck tires
Pirelli Industrial S.r.l.	Cinda International Holdings Limited	Italy	Jan	Heavy duty tire manufacturing

Cinda International

- China-based **Cinda International Holdings** has acquired a 38% interest in **Pirelli Industrial S.r.L.** from Pirelli (controlled by ChemChina).

Nexen Tire

- South Korean tire maker **Nexen Tire** has formed a JV with **Toyota Tsusho**, a trading subsidiary of Toyota Motor. The two companies have been in discussions since June 2015.

Onyx Industries FZC

- United Arab Emirates based **Onyx Industries FZC** has purchased the solid tire manufacturing and distribution assets from Italy-based **Marangoni S.p.A.**. The deal also includes rights to the Marangoni brand name related to solid tires along with the Jumbo, Forza, Eltor and Quickmont trademarks.

Yokohama

- In January, **The Yokohama Rubber Co. Ltd.** acquired Aichi-based **Aichi Tire Industry** (“Aichi”). Aichi had ~\$64M in sales during 2016 and manufactures tires for industrial machinery. This continues Yokohama’s expansion into industrial tires following its \$1.2B acquisition of Alliance Tire Group during 1H16.

If you have questions about this information or would like to have a confidential discussion about your business and how HT Capital Advisors might be of assistance, please contact:

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