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For immediate release

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Yokohama Rubber to Acquire Trelleborg AB's Wheel Systems business specializing in tires for agricultural and industrial machinery

Tokyo—The Yokohama Rubber Co., Ltd., announces that today it has entered into a share purchase agreement with the Swedish-based Trelleborg AB to acquire all outstanding shares of Trelleborg Wheel Systems Holding AB (hereafter, TWS), a company engaged in the manufacture and sale of off-highway tires (OHT) for agricultural and industrial machinery. TWS's enterprise value is €2,040 million (about ¥265.2 billion, at ¥130/€1; the acquisition agreement also includes a performance-linked earn-out*1). Yokohama Rubber estimates that the acquired business' EBITDA multiple will be about 9x*2. The acquisition is scheduled to be completed in the latter half of 2022, after completion of necessary procedures required by the competition laws of the European Union and other countries. The acquisition's impact on Yokohama Rubber's consolidated financial results is currently under examination.

*1 The performance-linked earn-out could increase the acquisition price by up to €60 million depending on the fiscal 2022 financial results of the acquired business.

*2 Assumes TWS' fiscal 2022 EBITDA of €230 million (Yokohama Rubber estimate)

Yokohama Rubber is currently implementing its Yokohama Transformation 2023 (YX2023) medium-term management plan for fiscal years 2021–2023. The “YX” in YX2023 is a combination of “Y” for YOKOHAMA and “X” for transformation. During YX2023, Yokohama Rubber simultaneously is promoting the “Exploitation” of the strengths of its existing businesses and the “Exploration” of new value that will meet the needs of customers during the once-in-a-hundred years transformation now taking place in the global tire market. Through this two-pronged effort, Yokohama Rubber aims to achieve record results in fiscal 2023.

Yokohama Rubber's tire business strategy under YX2023

The global tire market can be broadly divided into two sub-markets—consumer tires, which includes passenger car tires, and commercial tires, which covers tires used on trucks and buses, agricultural and construction machinery, and other special-purpose vehicles. These two sub-markets currently are similar in scale. However, Yokohama Rubber expect the trends toward CASE, MaaS, and digital transformation (DX) to greatly change the tire market landscape. Specifically, the Company expects individual ownership of cars to decrease and infrastructure-related vehicles devoted to moving people and goods to increase, leading to consumer tires becoming commercial tires. In response to this changing tire market, Yokohama Rubber is promoting a strategy with a two-pronged approach consisting of “Exploitation” and “Exploration”. In the consumer tire business, this strategy aims to raise the sales ratio of high value-added tires by increasing sales of the Company's global flagship ADVAN brand, its GEOLANDAR brand of tires for SUVs and pickup trucks, and winter tires. The Company's commercial tire business is exploring opportunities created by market changes, with a focus on four themes—cost, service, DX, and expanding its product lineup.

Acquisition's purpose: Current situation and challenges for Yokohama Rubber's tire business

The TWS acquisition will contribute to the expansion of Yokohama Rubber's OHT business, which YX2023 has positioned as a future growth driver for the Company's commercial tire business. The ratio of consumer tires to commercial tires in today's global tire market is 1:1, but Yokohama Rubber's tire business sales are more heavily weighted toward consumer tires, with a 2:1 ratio versus commercial tires. To bring the sales composition of its tire business more in line with the overall market and secure the business' stability and earnings growth, one of the key challenges facing Yokohama Rubber's commercial tire business is the growth of an OHT business capable of securing stably high earnings. The TWS acquisition will not only help Yokohama Rubber's tire business achieve a more optimal sales composition, but it will also strengthen the Company's commercial tire business in each of the four thematic areas set forth in YX2023—product lineup, cost, service, and DX. Meanwhile, the consumer tire business will continue its effort improve its profitability by expanding sales of its ADVAN, GEOLANDAR, and winter tires.

TWS strengths

TWS sales in fiscal 2021 totaled SEK10,076 million (about ¥129.0 billion), accounting for about 30% of Trelleborg AB's consolidated sales. Over the past 10 years, TWS has expanded its sales by 2.6 times and more than tripled EBIT (earnings before interest and taxes). While expanding sales it has sustained stably high profitability, with its EBIT ratio continuously above 10%.

Of tires manufactured and sold by TWS, agricultural tires account for about 60% and industrial tires about 20%, with the remainder being tires for construction machinery and motorcycles. In the global markets for agricultural and industrial tires, TWS boasts world-class products, brand power, technological capabilities, and after-service. In addition, it has a lineup of tires in each product category that supports all types of vehicles and vehicle sizes, from the smallest to the largest.

TWS has 14 manufacturing plants in nine countries—7 in Europe (Italy, Latvia, Serbia, Slovenia, and 3 in the Czech Republic), 2 in the United States, 1 in Brazil, and 4 in Asia (2 in China and 2 in Sri Lanka). About 70% of its sales are in Europe. TWS also is actively promoting ESG activities, including setting high targets for its shift to renewable raw materials. Over the next five years, it plans to increase the ratios of biomaterials used in its products by 10 percentage points.

Acquisition strategy and its compatibility with YX2023

Yokohama Rubber believes the TWS acquisition will provide it with a more complete product brand structure, strengthen its service network, contribute to DX, broaden its regional sales network, and boost its sales of OE tires.

In terms of a complete product brand structure, the acquisition will give Yokohama Rubber a complete brand lineup of tires for agricultural and construction machinery that will cover all brand categories, from basic to standard and premium brands. Yokohama Rubber's service network will be strengthened by TWS' proprietary tire maintenance service that provides after-sales service for industrial-use tires at 82 locations in 21 countries, and Yokohama Rubber plans to expand that service to agricultural tires. In the DX area, TWS is developing a remote system for monitoring tire air pressure and temperature. Yokohama Rubber has been developing a similar system, and the two companies will collaborate to develop a more convenient and efficient remote monitoring service.

The addition of TWS strong sales network in Europe will complement Yokohama Rubber's strengths in Japan, North America and Asia, creating a global network covering all major markets that is expected to propel further growth of the Yokohama Group's OHT business. TWS's addition will also open the door to new customers for Yokohama's OE tires, as about 30 of the 60-some OEMs supplied by TWS would be new customers for Yokohama Rubber.

This acquisition will lead to further growth of Yokohama Rubber's OHT business through synergies generated by the combined strengths of both companies in all areas, from the development of new products and services to manufacturing, sales, quality control, and ESG.

<Overview of Trelleborg Wheel Systems Holding AB>

Head office: Trelleborg, Sweden
Main business: Manufacture & sale of tires for agricultural and industrial machinery
Net sales: 10,076 million Swedish krona (approx. ¥129 billion) (FY2021)
Production sites: 14 (1 each in Italy, Latvia, Serbia, Slovenia, 3 in the Czech Republic, 2 in Sri Lanka, 2 in China, 2 in the U.S., and 1 in Brazil)
Sales offices: 40
Key brands: TRELLEBORG, Mitas
Employees: 6,750 (as of end-December 2021)

<Overview of Trelleborg AB>

Established: 1905
Head Office: Trelleborg, Sweden
Share Capital: 2,620 million Swedish krona (approx. ¥33.6 billion)
Main business: Manufacture & sale of polymer-based rubber products for industry
Net sales: 33.864 billion Swedish krona (approx. ¥433.8 billion) (FY2021)
Employees: 21,230 (as of end-December 2021)