

Analysis of M&A in the Vehicle Industry: Evidence from Geely's Acquisition of Lotus

Ziyang Dai^{1, *}

¹Department of Economic Management, Beijing Forestry University, Beijing, China

*Corresponding author: 20150725120@mail.sdufe.edu.cn

Abstract:

As a matter of fact, mergers and acquisitions (M&A) in the global vehicle industry have become increasingly common especially in recent years, driven by various factors such as technological advancements, market expansion, and brand strengthening. In reality, this trend is exemplified by Geely's acquisition of the British sports car brand, Lotus. With this in mind, this study aims to analyze the motivation, process as well as impact of this acquisition, employing methods like SWOT analysis and market research. According to the analysis, the findings reveal that the acquisition not only enhances Geely's global market presence but also complements its product portfolio with Lotus's unique technology and brand heritage. Furthermore, the integration of Lotus into Geely's operations offers opportunities for synergies and cost savings. At the same time, the implications of the study are proposed. This research contributes to the understanding of M&A strategies in the automotive sector, providing insights for both academic and industry practitioners.

Keywords: Geely; Lotus; Merger and Acquisition (M&A); vehicle industry; brand acquisition.

1. Introduction

With the deepening of globalization and the continuous progress of technology, the automotive industry is undergoing unprecedented changes [1, 2]. As one of the important pillars of the global economy, mergers and acquisitions (M&A) activities in the automotive industry not only reflect the competitive landscape within the industry, but also foreshadow future development trends. The iconic event of Geely's acquisition of Lotus provides a new research perspective for mergers and acquisitions in the automotive industry. This article aims to conduct an in-depth analysis of this merger and acquisition case, exploring its underlying motivations, impacts, and future prospects [3]. The development history of the automotive industry can be traced back to the late 19th century, when cars were mainly powered by steam. With the invention and application of internal combustion engines, the automotive industry has experienced rapid development. Entering the 21st century, with the enhancement of environmental awareness and continuous technological innovation, the automotive industry is gradually transitioning towards electrification, intelligence, and networking. On a global scale, the automotive market is showing a diversified and personalized consumption trend, and the rise of the new energy vehicle market is particularly remarkable [4]. In recent years, with the continuous breakthroughs in technologies such as au-

tonomous driving and artificial intelligence, the automotive industry is ushering in a new round of technological transformation. Traditional car manufacturers are increasing their research and development investment, collaborating with technology companies, and striving to achieve breakthroughs in new technology fields. At the same time, emerging technology companies are actively entering the automotive industry, hoping to subvert traditional patterns through technological innovation. This technological transformation has had a profound impact on mergers and acquisitions in the automotive industry, driving integration and restructuring.

Previous research on mergers and acquisitions in the automotive industry has achieved rich results. Early research mainly focused on the motives and effects of mergers and acquisitions, such as economies of scale, synergies, and diversified operations. As research deepens, scholars have begun to pay attention to risk management in the M&A process, post merger integration, and long-term performance. In recent years, with the rise of the new energy vehicle market and the rapid development of intelligent technology, the research focus of mergers and acquisitions in the automotive industry has also changed. Scholars have begun to pay attention to mergers and acquisitions in the field of new energy vehicles, analyzing their role in industry chain integration, technological innovation, and market expansion. At the same time, the rapid devel-

opment of intelligent technology has also made mergers and acquisitions in the automotive industry more complex and diversified, which poses higher requirements for the formulation and implementation of merger and acquisition strategies.

The motivation for writing this article is to delve into the iconic event of Geely's acquisition of Lotus, and analyze its position and influence in the development process of the automotive industry. Through this case study, one can better understand the motives, processes, and outcomes of mergers and acquisitions in the automotive industry, as well as the driving role of M&A activities in the future development of the automotive industry. The subsequent framework is as follows. This study first gives background introduction of Geely Automobile and Lotus, i.e., will elaborate on the development history, market position, and technical characteristics of Geely Automobile and Lotus, providing a foundation for subsequent analysis. Then it will offer analysis of M&A motivation, which will analyze the reasons for Geely Automobile's acquisition of Lotus from multiple perspectives such as strategy, market, and technology, and explore the rationality and necessity of this M&A activity. Then this study will describe in detail the entire process of merger and acquisition activities, including negotiation, transaction structure design, risk management, etc. It will also analyze how Geely Automobile overcame various challenges to successfully complete the merger and acquisition. In the meantime, this study will analyze the integration strategy and implementation effect of Geely Automobile's acquisition of Lotus, and evaluate the long-term performance impact of merger and acquisition activities on both companies. It will also explore the overall impact of this M&A activity on the automotive industry, analyze its role in driving industry change and development, and provide an outlook on the future M&A trends in the automotive industry. In summary, this article aims to provide useful reference and inspiration for the merger and acquisition activities in the automotive industry by in-depth analyzing the case of Geely's acquisition of Lotus.

2. Basic Descriptions

Geely Holding Group, founded in 1986, is a Chinese multinational automotive company headquartered in Hangzhou, Zhejiang province. Over the years, Geely has grown from a small producer of motorcycles to a leading manufacturer of passenger cars, SUVs, and even electric vehicles. Its brands, including Geely Auto, Lynk & Co,

and Volvo Cars, have achieved significant market share both domestically and internationally. Geely's focus on innovation, quality, and customer satisfaction has been a key driver of its success. Lotus Group, founded by Colin Chapman in 1948, is a British sports car and race car constructor with a legendary status in the automotive world. Known for its lightweight construction, high-performance engines, and racing successes, Lotus has produced iconic cars like the Elise, Exige, and Evangelia. However, in recent years, the company faced financial challenges and needed a strategic partner to support its future growth [5-8].

In 2017, Geely Holding Group announced its intention to acquire a controlling stake in Lotus Group. The deal was part of a wider agreement that also saw Geely acquire a 49.9% stake in Malaysian carmaker Proton Holdings Bhd, which owned a majority stake in Lotus. The acquisition was completed in late 2017, marking a significant milestone for both companies. Geely's acquisition of Lotus was motivated by several factors. Firstly, it wanted to expand its global footprint and gain access to Lotus's advanced technology and engineering capabilities. Secondly, the acquisition provided Geely with a platform to enter the high-end sports car market, which has significant growth potential. Thirdly, Lotus's strong brand equity and heritage could help Geely enhance its overall brand image and attract more customers.

3. Analysis

3.1 Financial Perspectives Before and After the Acquisition

Before the acquisition of Lotus, Geely Holding Group's financial portfolio primarily consisted of sales from its mid-to-low-end car models. The acquisition of Lotus, a high-end sports car brand, marked a significant financial shift for Geely (seen from Fig. 1). Initially, the deal required a significant outflow of capital, with Geely paying approximately 19 billion USD for the British sports car manufacturers. However, this acquisition was expected to yield long-term financial gains. The acquisition allowed Geely to expand its market reach, increase revenue streams, and leverage Lotus' established brand value and customer base. Although the initial investment was substantial, the long-term returns from expanded sales, market share, and synergies between the two companies were anticipated to justify the financial commitment.

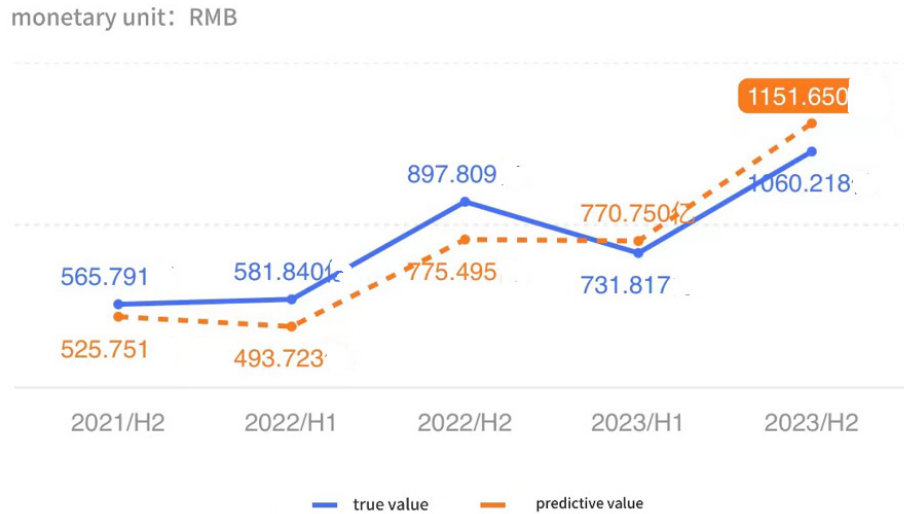


Fig. 1 Sales prediction and true value of Geely.

3.2 Marketing Strategies Before and After the Acquisition

Prior to the acquisition, Geely’s marketing efforts were primarily focused on promoting its local car models, with a limited international presence. However, with the acquisition of Lotus, Geely’s marketing strategies underwent a significant transformation. The association with Lotus, a globally recognized sports car brand, provided Geely with an opportunity to enhance its international profile and attract a new customer base. Geely leveraged Lotus’ racing heritage and performance credentials to reposition its own brand as a more premium and sporty offering. This shift in marketing strategy helped Geely attract a younger, more affluent customer segment, expanding its market reach and revenue potential [9].

3.3 Company Brand Positioning Before and After the Acquisition

Before the acquisition, Geely was primarily known as a manufacturer of mid-to-low-end cars, with a focus on domestic sales. However, with the acquisition of Lotus, Geely’s brand positioning underwent a significant elevation [9]. The association with Lotus, a high-end sports car brand, allowed Geely to establish itself as a serious player in the global automotive industry, capable of competing with established luxury brands. This acquisition provided Geely with a unique selling point, differentiating its products from the competition and appealing to a more affluent and discerning customer segment [10].

3.4 Technological Updates Before and After the Acquisition

Prior to the acquisition, Geely’s technological capabilities were focused primarily on the development of mid-

to-low-end cars. However, with the acquisition of Lotus, Geely gained access to advanced technological expertise and engineering capabilities. Lotus is renowned for its lightweight construction, high-performance engines, and aerodynamic design, all of which are critical in the sports car segment. This acquisition allowed Geely to integrate these technologies into its own product line, elevating its overall technological capabilities. Since then, Geely has been able to develop new models that offer superior performance, fuel efficiency, and safety features, furthering its position in the global automotive industry [11, 12].

4. Suggestions and Implications

Based on the analysis presented in the previous section, several key suggestions and implications can be drawn for Geely and other companies considering similar acquisitions in the future. Firstly, companies should carefully assess their financial position and strategic goals before embarking on acquisitions. While the acquisition of Lotus brought financial benefits to Geely in the long run, the initial investment was substantial. Therefore, companies should ensure that they have sufficient funds and a clear strategy to capitalize on the acquisition. After the acquisition, it is crucial to integrate the acquired assets effectively. Geely successfully integrated Lotus’ operations, technology, and brand value into its own portfolio. Other companies should prioritize integration to maximize the value of the acquisition. The association with Lotus helped Geely establish a stronger brand position in the global market. Companies seeking acquisitions should consider the brand value of the target company and how it can be leveraged to enhance their own brand image. The automotive industry is constantly evolving, and companies must keep up with technological advancements. Geely’s acqui-

sition of Lotus provided access to advanced technologies, which it has successfully integrated into its products. Other companies should prioritize technological updates and innovation to remain competitive. Finally, companies should conduct thorough market research to understand customer needs and preferences. Geely's focus on sporty and premium models after the acquisition was a response to changing market trends and customer preferences. By staying attuned to market changes, companies can better position their products to meet customer demands.

5. Conclusion

To sum up, this analysis has provided a comprehensive overview of Geely's acquisition of Lotus from multiple perspectives, including financial, marketing, branding, and technological updates. The acquisition has been transformative for Geely, allowing it to expand its market reach, enhance its brand positioning, and access advanced technologies. However, it is important to note that this study has certain limitations. Firstly, the analysis is based on publicly available information and may not capture all the nuances and behind-the-scenes strategies involved in the acquisition. Secondly, the financial performance of Geely after the acquisition maybe influenced by various external factors beyond the scope of this analysis. Future research could delve deeper into the specific strategies and decisions made by Geely during the acquisition process, as well as the longer-term impact of the acquisition on the company's financial performance and market position. Additionally, a comparative analysis of similar acquisitions in the automotive industry could provide valuable insights into the factors that contribute to successful acquisitions. Overall, the acquisition of Lotus by Geely has been a significant milestone in the company's journey towards becoming a global automotive player. The financial, marketing, branding, and technological updates discussed in this analysis highlight the opportunities and challenges involved in such acquisitions. Geely's success in inte-

grating Lotus into its operations and leveraging its assets provides valuable lessons for other companies considering similar strategies in the future.

References

- [1] Moskowitz S L. The advanced materials revolution: technology and economic growth in the age of globalization. John Wiley & Sons, 2014.
- [2] Greenberg E, Hirt M, Smit S. The global forces inspiring a new narrative of progress. *McKinsey Quarterly*, 2017, 2(2017): 36.
- [3] Sebastian G. In the Driver's Seat: China's Electric Vehicle Makers Target Europe. *MERICCS*, September, 2021.
- [4] Lovins A. Reinventing fire: Bold business solutions for the new energy era. Chelsea Green Publishing, 2013.
- [5] Aman I. Geely acquires 49.9% of Proton and 51% of Lotus. *The Star Online*, 2017.
- [6] Forbes Forum. Volvo Parent Geely Is Buying Lotus (And Part Of Proton). *Forbes*, 2017.
- [7] Geely Holding Group. Geely's Strategic Investment in PROTON and Lotus. Retrieved from: <https://www.geely.com/en/news/detail/32145>.
- [8] Wang H, Balcet G, Zhang W. Geely's Acquisition of Lotus: A Case Study in Globalization and Strategic Investment. *International Journal of Automotive Technology and Management*, 2021, 24(1): 1-15.
- [9] Ford Motor Company, 2010, Ford Completes Sale of Volvo Car Corporation to Geely Holding Group. Retrieved from: <https://www.ford.com/news/2010/08/12/ford-completes-sale-of-volvo-car-corporation-to-geely-holding-group>.
- [10] Geely Holding Group, 2024. Geely-Lotus SUV Concept Unveiled. Retrieved from: <https://www.geely.com/en/news/detail/32146>.
- [11] Aston Martin Lagonda, 2024. Geely Acquires 7.6% Stake in Aston Martin. Retrieved from: <https://www.astonmartin.com/en/press/releases/geely-acquires-7-6-stake-in-aston-martin>.
- [12] Chen P. Geely's Acquisition of Lotus: A Transformative Moment for the Chinese Automotive Industry. *Business Review*, 2024, 24(4): 5.