

## Car Parts Supplier Magneti Marelli Bought by KKR

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Fiat Chrysler Automobiles (FCA) sold Magneti Marelli to KKR for [\\$7.1 billion](#) on Wednesday. The deal will combine two giant car component companies to form [the seventh largest automotive parts supplier in the world](#), with almost 200 facilities across the globe.

The newly formed automotive parts supplier may intend to catch the high wind of the sector's expansion into new technologies like automated driving, connected cars, and electric vehicles. But, success may not be a given in light of China's recent slowdown and demand suppression in the [European market](#).

KKR paid a substantial premium to buy Magneti Marelli. The \$7.1 billion transaction cost KKR [16 times next year's earnings](#), even though most companies limit payment to 10 times a year's earnings. In addition, KKR's return on invested capital may be as low as [10.7 percent by 2023](#). Moreover, FCA may soon be [worthless](#).

Despite such criticism, the aggressive purchase will surely send the automotive industry into a spin. Whether or not the deal will boost the progress of high-tech automotive technology, the \$7.1 billion deal is bound to cause a stir in the automotive industry.

