

DucAudi- delving into Audi's Ducatti Purchase

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(image courtesy of Audi USA)

So this "deal" has been floating around the internet for a good few weeks, and came to fruition this week. A history lesson? Why not....



Audi's history dates back to 1899 with Horch (the company founded by Augustus Horch- who then went on to form Audi in 1910), the other companies included DKW in 1916, Wanderer from 1885, and the oldest- NSU dating from 1873.

The history of three companies is littered with Bicycle (1897- NSU) and motorbike production (NSU- 1901).

Wanderer made motorbikes from 1902 through to 1929;

DKW from 1921 (although their engines were used to power other manufacturers bicycles from 1920) through to 1958. (in 1928 they were the largest motorcycle manufacturer in the world)

NSU made bicycles from 1897 and motorbikes from 1901, through to 1966. (Incidentally, the first Italian connection with Audi was in the 60's- Italians owned the NSU plant at Heilbronn- by FIAT, until Fiat abandoned the NSU/ FIAT and Neckar names.) Final tally- around 3/4 million bicycles and 2.3 million motorised two wheelers.

Audi NSU was formed in 1969, becoming Audi AG in 1985.

Ducati can trace its roots back to 1926, although they didn't start making motorbikes until 1950- although, like DKW, they manufactured engines to be fitted to other manufacturers bikes from 1944 (some 200,000 were sold in the meantime).

Ducati has a rich motorsport heritage in a relatively short space of time, and their bikes are revered world wide. They are probably the motorbike equivalent of the modern day Audi -great brand, great build quality, sporting pedigree and a great product.

Volkswagen chairman Ferdinand Piëch, a motorcycle enthusiast, had regretted that he passed up an opportunity to buy the company from the Italian government in 1984- it was purchased by the Cagiva Group, followed in 1996 by the Texas-Pacific Group (US-based) ownership and went public. In 2005 Investindustrial Holdings SpA owned the company and last listed Ducati's earnings before interest, tax, depreciation and amortisation (EBITDA) at 71 million euros for 2010, on revenue just above 390 million.

One source has said Ducati's debt was well below 200 million euros in an acquisition analysts said lacked obvious benefits for premium carmaker Audi and did little but polish Piëch's reputation as a collector of rare and exotic brands.

Excluding the VW group as a whole (including VW, Skoda, Seat), this isn't Audi's first foray into purchasing other manufacturers- and not necessarily just to obtain expertise or other "specialities" that may bolster the companies credentials.

An example of this is when Audi purchased Lamborghini for around \$110 million in 1998. Audi spokesman Juergen de Graeve told the Wall Street Journal that Lamborghini "could strengthen Audi's sporty profile, and on the other hand Lamborghini could benefit from our technical expertise."- and this has largely been the case; platform and component "sharing" can help keep the Italian Supercar manufacturers' costs down without losing its identity, while improving profitability- and the benefit for Audi can be seen in the R8.

But what about Ducati? How can a car manufacturer benefit?

The question is whether it's a Trophy purchase, or whether there are larger ideas in the mill.

BMW manufacture motorbikes as well as motorcars; does this mean we'll soon see a bike bearing the Audi logo? (Or indeed, a "rebirth" of DKW/ NSU or Auto Union brands to enable the company to gain a foothold in markets not covered by Ducati) Ducati motorbikes- on the whole- are seen as "sports bikes"- the other end of the scale, is perhaps Harley Davidson- is that a market Audi could assist with entering? Who knows.

It could- though- have gone horribly wrong for Ducati; Audi (and its parent, the VW group) do not have a habit of purchasing companies to strip them of their assets and move on, although in 1998 Audi did purchase Cosworth Engineering, Manufacture and Casting units, trading as CosworthTechnology Ltd (Wondered where your Audi 80/ 100 V6 head came from?). The racing unit, trading as Cosworth Racing Ltd, was sold to Ford Motor Co. In 2005 Cosworth Technology was acquired by MAHLE from Audi Group, changing name and trading as MAHLE Powertrain.

The reference here, though, is to Saab; purchased by GM in 1989- who then sold it to Spyker in 2010. The final outcome of that is as yet undecided- and I am in no way saying that Ducati had issues (reports of \$200 million debt have been seen)- but with Audi, Ducati are well placed with secure, financial backing and expertise- not just from Audi, but from the VW Group as a whole.



A discussion with one of my motorbike passionate friends, Italian Luigi Scaglia (I kid you not) was had about this;

"I think, as an Italian, that it is just sad to see an authentic Italian brand being sold. It is not like they were going through tough financial times (last year they had record profits) and needed to save the brand. In fact I think the same about the Lamborghini deal. Can you imagine a Ferrari-Toyota or a Ferrari-BMW union? Anyhow, Ducati will benefit from this deal and probably improve greatly in the years to come...but it won't be an 100% national pride any more (and we don't have much to cheer about lately). I agree that this union might be beneficial, but future victories will taste like Weißwurst! "

Putting all this into perspective (or adding an additional slant on it); Audi buys Ducati for around \$1 Billion- a profitable company with an easily recognisable brand making tangible goods that are loved the world over. Last week, Facebook announced that it will acquire photo-sharing service Instagram in a \$1billion cash-and-stock deal. Instagram has 13 employees, and NO cash flow.

Food for thought.

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