

# Detroit Free Press

March 11, 2010

## Suppliers, Wall Street bank on auto recovery

By **JEWEL GOPWANI**  
FREE PRESS BUSINESS WRITER

Auto suppliers that cut their costs during the industry's downturn in 2009 are banking on success as auto sales tick up during the next few years.

Wall Street is making that bet, too.

Shares of several auto suppliers, some of which have soared since hitting all-time lows in 2009 — continue to climb in 2010.

Suppliers have continued to "rally when traditionally the speed would slow down," said David Sowerby, portfolio manager at Loomis Sayles in Bloomfield Hills.

For the year, shares of American Axle & Manufacturing are up 24%, shares of Tenneco are up 22% and shares of Gentex are up 15%.

"The troubles of last year

are behind us. Automotive volumes going forward will increase and should stabilize," said Chris Price, a managing director at O'Keefe & Associates' investment banking division. "Volume is the rising tide that will lift all boats."

Two local suppliers are tapping investor interest in the automotive sector and have made public stock offerings.

Cerberus Capital Management is planning a \$100-million initial public offering for Livonia-based Tower Automotive.

The Blackstone Group, a private equity firm and the largest shareholder of TRW Automotive, also in Livonia, offered 11 million of its shares in the publicly traded supplier last week.

"People will be watching very carefully to see how these go," Price said.

Even though the market has

been friendlier to many suppliers, Tower may be challenged to find investors.

"It's more of a difficult IPO because of its history," Price said.

### Challenges at Tower

Livonia-based Tower earned a profit of \$18.2 million in 2007, but posted losses in 2008 and 2009 — as auto sales plummeted.

Tower, which has 900 employees in Michigan, had to cut costs further, wringing \$195 million from its cost structure during the last two years.

Making its case to investors, Tower said in a securities filing last week that it made major strides in winning new business and spreading its revenue globally. The company's largest customer now is Volkswagen, with 17% of Tower's sales. Ford, which was once

Tower's largest customer at 28% of sales when Tower emerged from bankruptcy, now accounts for 13% of Tower's sales — the same as Fiat.

The automaker sees new opportunities in other industries. The company plans to spend \$35 million to build a plant in Arizona to make parts for the solar energy industry.

While Tower's past performance is challenged, investors are more concerned about the future, said Jim Gillette, director of financial services at CSM Worldwide.

"The past does not matter nearly as much as the future," said Gillette, who expects to see more suppliers make public offerings during the next year. "What Tower is saying is that they have repositioned themselves."

CONTACT JEWEL GOPWANI: 313-223-4550  
OR JGOPWANI@FREEPRESS.COM