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## *daily*<sup>™</sup>

WEDNESDAY  
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**ARVINMERITOR LAUNCHES HOSTILE BID FOR DANA.** ArvinMeritor Inc. has launched an unsolicited tender offer to acquire Dana Corp. for \$2.2 billion.

The Troy, Mich.-based company says its offer of \$15 per share of Dana stock, is worth \$4.4 billion, including the assumption of Dana debt. Dana shares closed yesterday at \$16.20, up \$11.79 from Monday.

Dana says it will study the offer and make a recommendation to its shareholders in about 10 days. Given yesterday's stock price activity, Dana is sure to demand a higher price. ArvinMeritor has signaled willingness to pay more if analysis warrants a higher price.

Combining the two companies would create a supplier with global sales third to Delphi and Visteon. Dana currently employs 60,000 people, and ArvinMeritor employs 32,000.

**BIG THREE SURPASS EUROPEAN OEMs IN LONG-TERM QUALITY.** Vehicles from Japanese automakers continue to lead in long-term quality, but U.S. brands have surpassed those from Europe for second place, according to this year's Vehicle Dependability Study by J.D. Power and Associates.

The study measures problems reported by owners after at least three years of ownership. On average, it says, owners of Big Three brands reported half as many problems per 100 vehicles as did owners of European brands.

This year's ratings range from 163 complaints per 100 vehicles for Toyota's Lexus brand to 509 for Kia. The industry average is 273 problems per 100 vehicles.

Brakes, especially excessive wear, generated the most frequent complaints about older cars, according to the study. Other common problem areas are air conditioning, wind noise, shock absorbers, trim and fluid leaks.

Within vehicle segments, Toyota/Lexus led with nine top rankings. Ford and General Motors had three each. Porsche topped the overall corporate rankings, and Toyota led the corporate list for full-line vehicle producers.

The study indicates Audi, Mercedes-Benz and Volvo vehicles deteriorate more rapidly than the vehicle average. It says GMC and Subaru rank better after three years than they do in the firm's initial quality ratings.

**GM, FORD EXTEND INCENTIVES AGAIN.** General Motors Corp. and Ford Motor Co. have extended their rebate and zero-interest loan programs on 2003 models through July 31 and September 2, respectively. Both companies are offering rebates up to \$4,000 and zero-percent financing for up to five years. Chrysler Group's current incentive program runs through July 31.

GM also has begun offering rebates and reduced-rate financing on a variety of 2004 vehicles. It will continue its overnight test drive program through September 2.

**CALIFORNIA FUEL CELL PROGRAM EXTENDED.** The California Fuel Cell Partnership, set up in 1999 to promote fuel cell-powered vehicles, will extend its effort through 2007, reports the *Los Angeles Times*.

The partnership has fewer than 30 demonstration vehicles in use now but expects to more than double that number by the end of 2003, according to the *Times*.

**CONSUMER DEBT UP \$7.3 BILLION.** Americans added \$7.3 billion in debt in May, mostly in the form of new car loans, according to the Federal Reserve. Analysts expected debt to grow by about \$5 billion.

The Fed says \$3.1 billion of the new debt was for credit and charge-card debt. Nonrevolving credit, which



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includes auto loans, rose by \$4.2 billion.

The average interest rate on new-vehicle loans was 2.4% in May, an eight-month low. The average maturity for auto loans was 60.7 months, the longest since the Fed began keeping track 32 years ago.

**YELLOW BUYS ROADWAY.** Yellow Corp., the Kansas-based trucking company, is buying Roadway Corp. for \$966 million or \$48 per share. Yellow also will assume \$140 million of debt held by its Akron-based rival.

Yellow is renaming itself Yellow-Roadway Corp. and will have combined revenue of nearly \$6 billion. The company will be headed by Bill Zollars, Yellow's current chairman, president and CEO.

The company specializes in business-to-business shipments of less-than-truckload freight. It predicts the combination will save \$45 million by the end of the second year and at least \$125 million in five years.

The Yellow-Roadway deal comes less than a year after America's third-largest less-than-truckload carrier, Consolidated Freightways, went bankrupt.

**BMW HIKES LEASE FEES IN NEW YORK STATE.** BMW Financial Services NA says it will increase its acquisition fees on leases written for vehicles in New York from \$525 to a maximum of \$1,000 beginning August 1.

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The boost is to offset costs associated with New York's vicarious liability law which holds leasing companies responsible for unlimited crash damages involving vehicles driven by their lease customers.

Other states also have vicarious liability laws but limit the maximum financial exposure. BMW says New York is the only remaining state with unlimited liability.

American Honda Finance and Ford Credit suspended leasing activity entirely in New York to protest the state legislature's failure last week to modify or abolish the law.

TUESDAY'S CLOSING STOCKS

STOCK	SYMBOL	CLOSE	CHANGE	STOCK	SYMBOL	CLOSE	CHANGE
DOW		9,223.09	+6.30	EDS	EDS	22.63	+0.28
NASDAQ		1,746.46	+25.75	Ford	F	11.16	-0.03
American Axle	AXL	26.87	+1.69	General Motors	GM	36.58	+0.68
ArvinMeritor	ARM	20.29	-0.71	Gentex	GNTX	32.37	+1.12
Autoliv	ALV	28.29	+0.07	Goodyear	GT	5.25	-0.30
BorgWarner	BWA	66.30	+1.20	Honda	HMC	20.85	+0.49
Cooper Tire	CTB	17.80	-0.09	Johnson Controls	JCI	87.26	+0.56
DaimlerChrysler	DCX	36.52	-0.19	Lear	LEA	48.85	+1.42
Dana	DCN	16.20	+4.18	Magna International	MGA	72.55	+3.61
Delphi	DPH	8.86	+0.33	Tenneco Automotive	TEN	4.02	+0.02
Dura Automotive	DRRA	10.77	+0.59	Toyota	TM	57.38	+0.78
Eaton	ETN	81.82	+1.47	Visteon	VC	7.05	+0.20

**JOHN McELROY** *Automotive Insights*

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## viewpoint

### HOW TO SELL A COMPANY

One of the most difficult challenges facing a company when it decides to sell all or part of itself is assigning a realistic value to the transaction. How best to make that assessment? Mark Short, a partner for Transaction Advisory Services in Ernst & Young's Global Automotive Center in Troy, Mich., explains the value of conducting sell-side due diligence.

#### **Isn't due diligence something buyers do?**

Yes, but conducting due diligence on itself helps a seller understand the true value of the proposed transaction. The process can turn up undiscovered value and highlight issues that might detract from value. Typically, companies fail to do their homework on their financial information to ascertain if there are issues that could affect the sale price either way.

Sell-side due diligence helps the seller stay in control of the divestiture process. It enables the seller to understand all the issues and avoid being surprised as the sales process comes to conclusion. It also helps the seller prepare a line of defense or support for the positions taken on the value of an asset.

#### **What are examples of how due diligence could help a seller?**

One example is tooling revenue, which tends to be very cyclical. A seller wants to be compensated for earnings on tooling revenue that could be very high one year and very low another. A buyer won't pay for peaks, but a seller shouldn't be penalized for valleys either.

Another example would be the impact on a supplier of vehicle platform life cycles. Knowing the end of life for current programs and how the company is positioned to supply the replacement program is critical in determining value to a potential buyer.

#### **Are there special issues when selling only a piece of a company?**

It's not unusual when a company, especially one that operates globally, sells a piece of itself for management to be unsure about exactly what goes and what stays.

If the business being sold relies upon shared services for information technology, for example, the buyer may want to have the seller continue to provide that support for a transition period. Similarly, the seller should assess the impact of an asset sale upon the retained infrastructure.

Will it still be appropriate, or will the company have too many people in certain areas after the sale?

#### **Is sell-side due diligence something a company can do itself?**

Some can, but performing due diligence isn't a normal "job." Even if a company has the staff, these people may not appreciate how a buyer would look at the sale. We represent buyers as well as sellers, so we have a very good feel for both sides of the table. We can anticipate what a buyer will want to see.

Clearly when there's a decision to sell something, egos come into play. If a third party comes in, it can conduct an objective analysis. This also allows management to challenge its own positions before they are challenged by a prospective buyer. The last thing a company wants to do is go back to its board and admit it didn't value a divestiture accurately. Outside help can build management credibility, both internally and with prospective buyers.

#### **How would due diligence affect the data a seller prepares for potential buyers?**

Sellers must assemble libraries of financial, legal, tax, environmental, human resources and operation information called "data rooms." But data rooms organized by sellers often leave much to be desired. Frequently their information is incomplete, which requires the buyer to ask for more information, thus delaying the sales process.

#### **What services does your group perform for a seller?**

Ideally, we'd take a very practical approach and go to work a few months prior to taking something to market. This enables everyone to tactically identify the positive and negative issues. Maybe now isn't the best time to sell a business. Perhaps the seller should spend a few months fixing things first.

As a seller, you want everything in order before you hit the street. Once word gets out, you want a quick turnaround and closure on a deal. When sellers aren't prepared, they're always trying to catch up with buyer requests for additional information or explanations. The process drags out, and the seller starts to lose control of the sale. With our industry experience, we can help prevent that problem.

*To learn more about Ernst & Young's Transaction Advisory Services, contact Mark Short at (248) 457-3860 or [mark.short@ey.com](mailto:mark.short@ey.com)*