

# Buyouts

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## CLOSED DEALS

### KPS Expands Auto Parts Presence

#### SNAPSHOT:

**Sponsor:** KPS Special Situations

**Target:** Cloyes Gear & Products, Inc.

**Sale Price:** Undisclosed

**Debt Provider:** LaSalle Business Credit LLC

**Legal Counsel:** KPS: Paul Weiss Rifkind Wharton & Garrison LLP; Cloyes: Baker Hostetler

**Accountant:** KPS: PricewaterhouseCoopers

The auto parts space has certainly seen better days. The struggles of the OEMs combined with pressure from overseas competition have caused most investors to flee the space. **KPS Special Situations** is viewing this as a time to buy.

The New York firm has already acquired three auto parts platforms in the past year. Last month, KPS cinched its latest deal, taking over a controlling stake in automotive timing systems maker Cloyes Gear and Products, Inc.

KPS typically focuses on true distress situations. The firm will buy a company in crisis, work to solve its issues, and send it on its way, ideally with a tidy profit in hand.

In the Cloyes deal, however, the firm is not approaching the transaction in typical fashion. **Raquel Vargas**

**Palmer**, a principal at the firm, told *Buyouts* that KPS is viewing the deal more as a contrarian bet on auto parts than a true turnaround for a company in crisis.

"This is different than our typical deal because it's a profitable business with very good growth prospects," she said, although still added that there is "the potential for improvement on the operations side."

Cloyes is one of four global suppliers of timing systems and operates manufacturing facilities in the U.S. and Germany. The firm wouldn't discuss any terms of the deal.

KPS has made the automotive space a central part of its strategy. The firm, in April of 2005, announced a partnership with former Metaldyne exec **George Thanopoulos** to target the automotive supply industry, and in the following September, locked up deals to buy Jernberg Industries out of bankruptcy and the North American automotive business of Sarna Kunststoff Holding AG. KPS has also booked a notable win in the automotive space when it acquired Canadian bus maker New Flyer Industries in 2002 and sold it two years later to **Harvest Partners**, reaping around \$200 million in proceeds.

The firm intends to keep separate the three platforms currently in its portfolio, given the varying business models of the companies. Jernberg, for instance, manufactures forged



**Raquel Vargas Palmer**

parts for power-train and wheel-end applications, while the Sarna carve-out, since renamed Blue Water Automotive Systems, is a maker of moulded thermoplastic components, such as airflow ducts, fender liners and interior trim.

A day after KPS acquired Cloyes, the firm also announced an add-on for its Blue Water platform, buying the automotive business of **Injectronics Inc.** Deal terms were not disclosed.

KPS is currently investing out of its second investment vehicle, **KPS Special Situations Fund II**. The firm closed Fund II at approximately \$404 million in 2004. —K.M.