DUCKER WORLDWIDE

THE HISTORY AND ROLE OF PRIVATE EQUITY

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CAR
CENTER FOR AUTOMOTIVE RESEARCH

Ducker Worldwide

- Ducker Consulting
  - Strategic and market growth planning since 1961
  - Blue chip clients worldwide

- Ducker Advisory
  - Research driven M&A
  - Finding and Advising: for Acquisitions and Divestitures

AGENDA

- A Brief History and the Role of Private Equity – Scott Merlis
- Present and the Future – John Casesa

Controversy

Vultures

Controversy

Sharks

Controversy

Strippers and Flippers

The Role of Private Equity: Overview of Key Themes

- Mixed Results
- Potential to be positive catalyst for change
- Source of Capital:
  - for Plants and Technology
  - to Rescue Distress
  - for Ownership Succession
  - for Overseas Expansion
- Mainstream, ***not*** fringe or alternative

PRIVATE EQUITY – A BRIEF HISTORY: Pre-1908

- Platform for Consolidation
- Roll-up
- Excess Leverage and Distress

GM

CHEVROLET BUICK Oldsmobile PONTIAC GMC TRUCK Cadillac

Private Equity Transactions – Examples

BorgWarner (Acquired Beru from Carlyle and others)

Lear

American Axle

TRW Automotive

Metaldyne

Mega Dealers

Examples: Transactions that went “Bust” / Bankruptcies

Collins & Aikman

Hayes-Lemmerz

Progressive Molded Products

Cambridge

Meridian

PE Transaction History

- **Over $40 billion invested by private equity since 1996**
- **300 deals since 1996**

GLOBAL PRIVATE EQUITY AUTO-RELATED INVESTMENTS

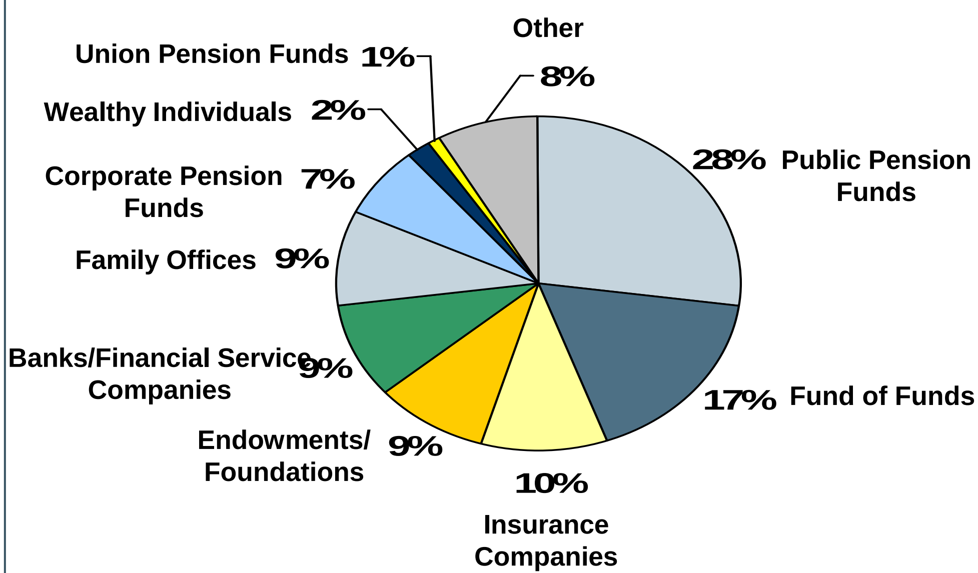
	Total Deals (#)	Total Value ($m)	*Average Size ($m)*	*# Deals by Region N.America*	*Europe*	*Asia*	*Other*
1996	6	$851.0	*$170.2*	*5*	*1*		
1997	4	$23.5	*$11.8*	*2*	*2*		
1998	13	$689.0	*$114.8*	*9*	*4*		
1999	9	$971.6	*$242.9*	*3*	*6*		
2000	21	$6,658.8	*$475.6*	*14*	*6*	*1*	
2001	14	$3,610.9	*$451.4*	*6*	*7*	*1*	
2002	19	$929.7	*$116.2*	*13*	*6*		
2003	15	$1,670.2	*$185.6*	*9*	*4*	*2*	
2004	36	$4,346.9	*$228.8*	*21*	*12*	*3*	
2005	41	$2,804.1	*$215.7*	*22*	*17*	*1*	*1*
2006	46	$463.1	*$463.1*	*18*	*21*	*4*	*3*
2007	63	$17,127.5	*$744.7*	*39*	*19*	*4*	*1*
YTD - 2008	13	$624.2	*$89.2*	*5*	*5*	*2*	*1*

Source: Capital IQ and Ducker Worldwide analysis

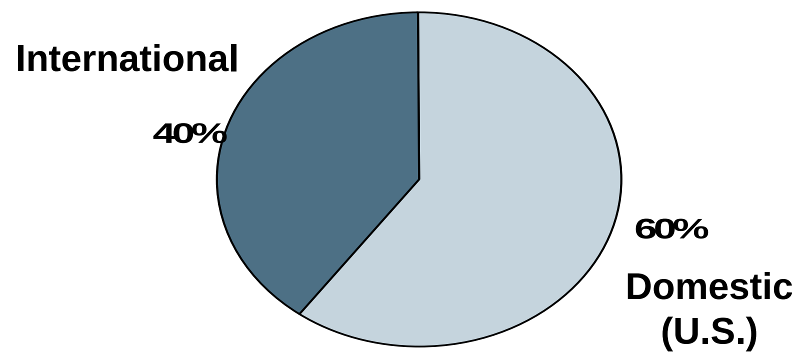
The Role of Private Equity - Where does the Money Come From?

- Foreign Governments
- Pensions – Union, State, Corporate etc.
- Endowments – University
- Hedge Funds
- Insurance Companies
- High Net Worth Individuals

PE Firms – Percent Capital by LP Type 2007



Capital Sources: Domestic Versus International 2007



Source: Dow Jones Private Equity Analyst.

The Role of Private Equity – Select PE Firms in Auto Sector?

Select PE Firms in Auto Sector

Dubai International

Blackstone

Cerberus

Carlyle Group

ONEX

Goldman Sachs Merchant Bank

Cypress Group

Kohlberg & Company

Ripplewood Holdings

Sun Capital

Wynnchurch

Wilbur Ross

Carl Icahn

Tracinda / Kirk Kerkorian

PRIVATE EQUITY – DIVERSE INVESTMENT MISSIONS

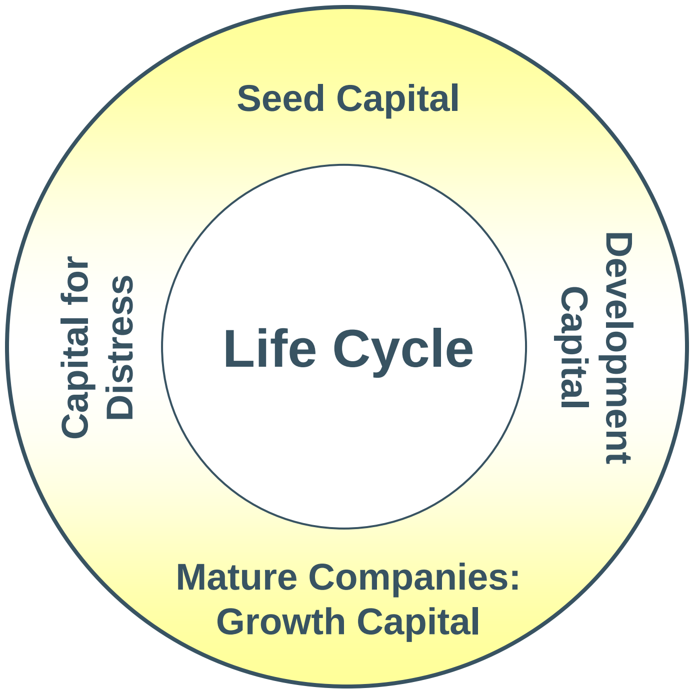
Types of Private Equity for Different Stages of Life Cycle

YOUNG COMPANIES / VC – Early stage and Later Stages

MATURE COMPANIES WITH CHALLENGES:

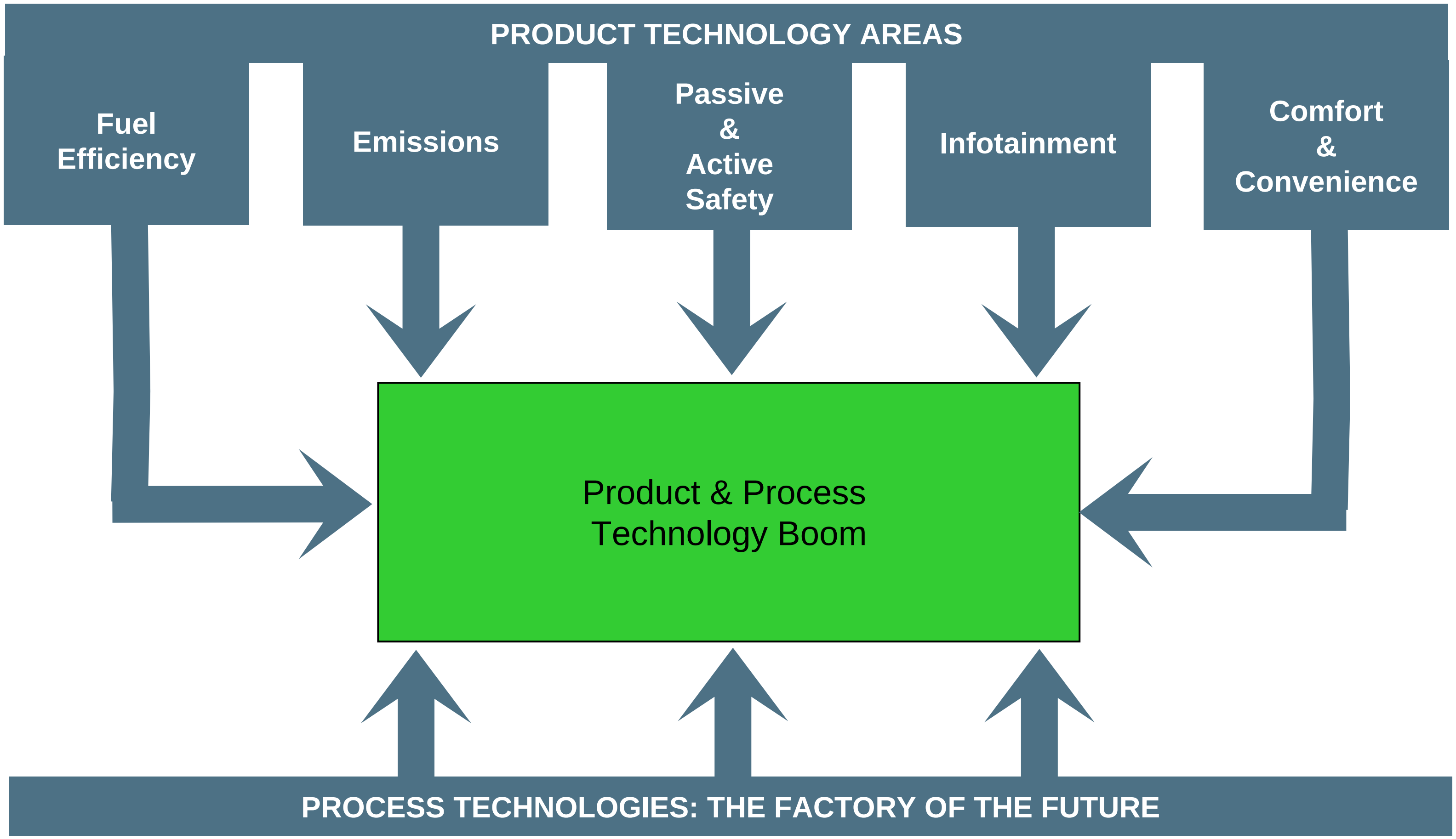
- Deep distress/turnaround
- Moderate turnaround: Bent but not Broken

MATURE COMPANIES STABLE – Growth Capital, Consolidation and Roll up



THE ROLE OF PRIVATE EQUITY:

VC Financing Essential for Auto Tech Boom



Technology development & spending at unprecedented levels….

The Role of Private Equity- Diverse Investment Criteria

- **Size of Equity Investment**
- **Minority Interest or Controlling**
- **Turnaround versus stable**
- **Varying growth and financial characteristic**
- **An opportunity to offer value added**

THE ROLE OF PRIVATE EQUITY - Leverage Works Both Ways

I. Stable - Virtuous Cycle

Revenue - $100 mln

EBITDA (12%) $12 mln

CAPEX - $5 mln

Positive Net cash flow - $7 million

To cover interest of $4 m; debt pay down and growth

II. Downturn - Vicious Cycle

Revenue - $80 mln

EBITDA (5%) $4 million

Negative Net cash flow - $1 million

Cannot coverage interest expense; add to debt.

Potential Catalyst for Constructive Dynamics – When it Goes Right

PE, managers of the firm and the OE customer shares community of interest.

- Facilitate consolidation
- Finance new process / product technology
- Improve company management
- Provide capital for growth
- Provide capital for restructuring
- Support / invest in companies in emerging markets
- Provide a vehicle for ownership succession and ongoing participation / transition by owner

THE ROLE OF PRIVATE EQUITY:

The Environment has Drastically Changed for Automotive PE Investment

Truck Mix "Downshift" – Structural Change

50% Light Truck Mix vs. 59% (2004 Peak)

@ 15.5 million Normalized / Trend Volume

= 1.4 million fewer Light Trucks

Significant Negative Profit Impact:

Automakers	**($5.6 billion)***	**Net Negative Mix Impacts**
Suppliers	**($1.0 billion)***	

* Pre-tax / variable profit and assuming total supplier $-content / light-truck = $15,000

Source: Ducker estimates

Question: In this New Environment, What Role will PE Firms Play?

New Challenges

New Opportunities

Present and the Future – John Casesa, Casesa Shapiro Group

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This concludes our presentation. Thank you.

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