

## Winner: Deal over \$100 million: Grede Holdings LLC



ADVISERS: FTI Holdings Inc., Bodman PLC and PriceWaterhouseCoopers LLP for Citation and Wayzata; Conway DelGenio Gries & Co. LLC for Grede

Good things come to those who wait -- especially if both a market contraction and a push for supplier consolidation come along while you're waiting, said Doug Grimm, **Grede Holdings LLC** chairman and CEO.

Grimm, formerly a vice president of materials management, powertrain electronics and fuel operations at **Visteon Corp.**, joined what was then **Citation Corp.** as CEO three years ago.

Last February, Citation's owners acquired assets of Milwaukee-based **Grede Foundries Inc.** at a bankruptcy auction, and Grimm became chairman, president and CEO of the combined company.

An equity investment of Minnesota-based **Wayzata Investment Partners LLC** and **GSC Group** in New Jersey eliminated about \$110 million -- or 80 percent of debt -- for the two companies.

Grimm said he'd made overtures to two successive Grede Foundries CEOs about an acquisition before its 2009 bankruptcy. Both declined.

"When everyone was thinking about their own survival in (late 2008), you started looking at the consolidation of suppliers within the industry you serve. That was part of my approach to Grede -- customers in our industry wanted us to consolidate like this," Grimm said.

"But we stayed close to it, even after the discussions with two CEOs broke down, and eventually acquired it at a much cheaper price."

Wayzata, a minority shareholder in Citation, owns 65 percent of the post-merger company after it helped recapitalize Citation and a Wayzata affiliate bought Grede Foundries' assets. GSC, Citation's largest pre-merger owner, owns about a one-third stake in Grede Holdings.

In 2010, the combined company sold Grede Foundries' former headquarters in Wisconsin, closed a location in Kansas and moved out of buildings Citation leased in Novi and Birmingham, Ala., to consolidate its headquarters in 14,000 square feet of the 4000 Town Center building in Southfield.

Grede Holdings also acquired **GTL Precision Patterns** in Biscoe, N.C., in December and entered an agreement this month to acquire the Novocast and Teknik foundries near Monterrey, Mexico, from **Grupo Proeza**. That deal awaits regulatory approval in Mexico and is expected to close before April 1.

Grede Holdings will own 15 foundries and three machining shops after the Grupo Proeza deal. Grimm said the company met its 2010 revenue goal of \$725 million, and 2011 revenue could exceed \$800 million with the added Mexico business.

The merger also made Illinois-based **Caterpillar Inc.** the largest single customer for Grede Holdings and added **Honda**

**Motor Co.** to Citation's mix of automotive customers.

Grimm said he sought to diversify away from automotive in favor of an even split of business among its three industry segments; early this year its mix was about 45 percent automotive, 30 percent industrial customers and 25 percent heavy trucking.

"We'd purged a lot of what we'd call bad automotive, and with Grede we picked up some good automotive. Some automotive contracts were priced with more difficulty, or based on ... a volume you didn't ultimately achieve.

"Everybody had their share of that. It was just a question of how you dealt with it and were you able to sustain the volume drops."

The company picked up \$162 million in new business since the merger, including \$75 million in automotive business fueled by recovery among OEMs. It also added more than 900 employees and estimates its headcount at 3,277.

