

AZ rebalances for new reality Supplier says it's poised for growth

BY RYAN BEENE
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AZ Automotive Corp. CEO Mike Alcalá stands in front of AZ's Chevrolet Camaro floor pan extension stamping robot in Center Line.

AZ Automotive Corp. recently got a new lease on life, one that its CEO says has it poised to grow as the auto industry recovers.

The Center Line-based supplier of automotive body and chassis stamped parts and assemblies managed to restructure its heavy debt load to fit the new, smaller reality of the auto industry.

CEO Mike Alcalá says cost cuts, supply-

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Mike Alcalá, AZ Automotive Corp.

ing parts for key vehicles and having a strong private-equity partner were instrumental in allowing the company to survive the downturn.

“What the restructuring really does is it helps (prepare) us for growth,” Alcalá said. “We were over-levered in terms of growing our business; now we have a very solid balance sheet.”

About 50 percent of AZ's current sales go to **General Motors Co.**, about 30 percent to **Chrysler Group L.L.C.**, 8 percent to 10 percent to **Ford Motor Co.**, and the rest to a mix of other firms.

Alcalá said his company plans to grow through a combination of acquisitions and bidding for supply contracts with Japanese and German automakers, which the company currently lacks.

But it wasn't until the company closed its deal to scrub about \$30 million from its total \$50 million debt load on Oct. 8 that the pursuit of that growth plan was secured.

AZ Automotive saw revenue drop significantly this year as car and truck production — especially at GM and Chrysler — also dropped significantly.

The company posted about \$250 million in revenue in 2008, only to see that number fall to the \$130 million Alcalá expects to see this year, he said.

In January, for example, the company posted about \$1.5 million in revenue for the month.

It had posted about \$1.1 million per day during the months leading up to that.

“The problem was when the volumes collapsed last year it left us with our ratios all out of kilter,” Alcalá said.

The drops in revenue, combined with the company's roughly \$50 million in debt, pushed AZ to take an ax to its cost structure.

In September 2008, the company had more than 1,000 employees at its eight plants. But by June of this year, its headcount had been slashed to fewer than 400 workers, Alcalá said.

But with orders beginning to come in, AZ has been bringing workers back to its plants, employing more than 700 in September.

The workforce cuts combined with rolling back some benefits, furloughs, renegotiated leases and other cuts lowered the company's break-even by about 30 percent, Alcalá said.

The cuts presumably helped sweeten the deal for **AIG Vantage Capital**, a private-equity investment fund run by **AIG Investments**, that ended up buying all the company equity and reducing AZ's debt.

AIG Vantage, which has held a stake in AZ since 2002, increased its 63 percent equity and sub-debt stake in AZ to 100 percent by buying the remaining 37 percent held by **Orix Financial Partners**.

“To see a deal like that happen is representative of the fact that it's pretty hard to get traditional financing,” said Laura Marcero, a partner and supplier consultant in Southfield-based **Grant Thornton L.L.P.**'s advisory services practice. “Those are becoming more common as folks look to stabilize their position.”

Marcero says while private-equity firms are generally reluctant to make new investments in automotive, AZ's deal was likely a case where AIG Vantage Capital wanted to protect its stake, even if it meant increasing that stake.

“AZ's management is a team of accomplished and seasoned executives with ex-

cellent relationships throughout the industry, the right strategy to move forward in a challenging industry environment, and a demonstrated ability to execute,” said a source familiar with AIG Vantage's position with AZ.

“The recent refinancing will enable AZ to pursue its growth strategy and identify opportunities in line with the company's expansion plan.”

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Judith Kucway,
Motor City Stamping Inc.

But AZ isn't alone in vying for new stamping contracts for upcoming Detroit 3 vehicle launches as they begin to come down the pike.

Chesterfield Township-based **Motor City Stamping Inc.** sees growth ahead with new vehicle launches and through diversification efforts, said CEO Judith Kucway.

While Motor City is smaller than AZ, with about \$45 million in revenue in 2008, the companies do compete on small to medium stampings.

Motor City has won contracts to supply new GM vehicles such as the upcoming Chevrolet Cruze sedan and the small car to be built at GM's Orion Assembly Plant, as well as quoting work with **General Dynamics** and other companies.

“There are a lot of good things going on, you just have to dig it out of the ground,” Kucway said. “You have to go look for it — it's not going to come to you.”

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