

## RED DIAMOND TO PAY \$119M FOR AVON AUTOMOTIVE

BY LUISA BELTRAN

**PRIVATE EQUITY** Britain's **Avon Rubber plc** said Monday it will sell its automotive division for £63 million (\$118.5 million) to New York private equity firm Red Diamond Capital and company management.

Red Diamond will own more than 80% of the automotive business, and management will own the rest, according to Mark Kammert, a Red Diamond managing director.

Avon, based in Bradford-on-Avon, U.K., said it expects to receive £52.1 million after working-capital adjustments, taxation and transaction costs. Its shareholders are set to vote on the deal on June 13, according to a statement.

The target provides low-pressure hoses for air-induction, fuel and coolant systems. It generates \$349 million in annual revenue and employs more than 3,500 employees.

Red Diamond, which has a \$150 million fund, is an affiliate of **Mitsubishi Corp.**

Lee Richards, Avon Automotive president and head of the buyout

team, said in a statement: "As a privately held company, we hope to accelerate Avon Automotive's global investment in technology, creating value for our automotive customers as well as career opportunities for Avon employees around the world."

Richards will be CEO of the former Avon division, Kammert said. No job cuts or management changes are expected at the unit, which will continue to be known as Avon Automotive and remain based in Cadillac, Mich., Kammert said.

Red Diamond did not use an outside financial adviser. A **White & Case LLP** team led by Mark Mandel, Dan Latham, David Joyce and J. William Dantzler provided the firm legal guidance.

Avon tapped **ING Corporate Finance** in the U.K. and **WY Campbell & Co.** in Detroit for financial advice. **TLT Solicitors** provided legal guidance.

The automotive division is Avon Rubber's largest unit. The parent said it operates in a highly competitive

market supplying customers that are "considerably larger."

Before exceptional items and costs, the automotive division produced a 4.2% return on sales for the six months ended March 31 and a 4.7% return for the year ended Sept. 30, 2005.

Avon Rubber—which makes such products as stem gaskets, cupseals and dairy tubing for the engineering, dairy and defense industries—said it is selling the auto unit so it can concentrate on its protection and engineered products businesses. The company said it believes it can sustain higher margins and growth with this strategy.

But Kammert, of Red Diamond, said the auto division shows promise.

"The auto business is very tough, but these guys are well-positioned competitively," Kammert said. "We really liked the management team, and they are a very talented group." ■



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