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## **JPMorgan One Equity Eyes Ford Luxury Auto Group**

By Shasha Dai and John D. Stoll

NEW YORK (Dow Jones)--JPMorgan Chase & Co.'s (JPM) private equity arm, One Equity Partners, is in talks with Ford Motor Co. (F) to acquire some of the auto maker's luxury brands, a person familiar with the situation said Friday.

The negotiations are still in an early stage, as the parties are hammering out details about which brands in Ford's Premier Automotive Group that One Equity might acquire, the person said. One Equity likely won't try to acquire the whole package, the person said.

Spearheading the negotiations is Jacques Nasser, a One Equity partner who was formerly Ford's president and chief executive and who assembled the Premier Automotive Group. Nasser declined to comment.

Ford spokesman Oscar Suris said the suggestion that Nasser and JPMorgan are interested in its European luxury brands is "speculation" and said the company won't comment on the issue.

Selling off the luxury group would help Ford focus on its remaining operations. The company has eight brands under its international umbrella, including its Mazda Motor Corp. (7261.JP) affiliate in Japan. Competitors Toyota Motor Corp. (TM), which for the first time ever in July sold more cars and light trucks in the U.S. than Ford, and Honda Motor Co. (HMC) have far fewer brands to maintain.

Shares of Ford were up 3.5% at \$8.03 in recent trading. The stock is up about 30% since hitting a 52-week low on July 21, one day after the auto maker said it would accelerate its North American restructuring effort. News of Nasser and One Equity's interest was reported earlier by Bloomberg News.

### Strategic Review

Ford, which is currently carrying out a strategic review of its operations, has said that all options are on the table, including asset sales and alliances with other auto makers. Ford recently hired Kenneth Leet, a mergers and acquisitions veteran who worked for many years at Goldman Sachs (GS), to lead the strategic review. Chief Executive Bill Ford Jr. said this week in an interview with BusinessWeek magazine that the auto maker is considering "radical changes."

On Friday, Robert Rubin, a director at Citigroup Inc. (C), resigned from the auto maker's board of directors over a potential conflict of interest that could arise as Ford restructures the business.

The Premier Automotive Group is an assembly of European brands Ford has been acquiring since the 1980s. The Volvo unit is by far the most integrated into the company's operations and is said to be off the block, according to a former executive with knowledge of Ford's dealings. High-end brands like

Jaguar, Land Rover and Aston Martin would be easier to shed, because Ford has tried to keep the units distinct and exclusive.

Valuing the group is difficult, said Christopher Kummer, director of the Institute of Mergers, Acquisitions and Alliances at Webster University in Vienna. He estimated the group could be assigned an enterprise value - market capitalization plus debt - of \$21 billion to \$31 billion and could sell for a minimum of \$2.2 billion to \$3.4 billion, depending on how much debt is assumed in addition to that amount. Competition could drive the price higher, he said.

#### Ties To Nasser

Nasser, who left Ford in 2001 after a series of management miscues and in the midst of deep financial bleeding, continues to use a Ford-issued office and receive administrative support since he is a former chief executive, Ford spokesman Tom Hoyt said. A source close to Nasser said the former chief executive remains a close confidant of Ford Chief Executive Bill Ford.

Even with those ties, Nasser likely would have competition if One Equity actually bids for some of Ford's luxury brands. On Thursday, the head of a British construction-machinery group said he was interested in buying Jaguar.

"I have expressed an interest in the purchase of Jaguar, because I believe it is a very strong brand with great potential, which at this moment I believe is not being realized," Sir Anthony Bamford said in a statement. Bamford is chairman of privately held JC Bamford Excavators Ltd. in England.

One Equity Partners is JPMorgan's private equity unit, managing \$5 billion worth of investments. It isn't clear how it plans to finance the deal or whether it will team with other groups to do the deal.

On the first brush, the transaction looks challenging for the unit, whose name isn't in the private equity league table. One Equity has historically done middle-market deals, or transactions worth less than \$1 billion. The biggest buyout it has done so far was the 2003 acquisition of pharmaceutical services company Quintiles Transnational Inc. for \$1.75 billion. It's also leading a \$1.26 billion buyout of debt-collection and outsourcing company NCO Group Inc. (NCOG).

#### Teaming Up

A likely scenario would be for One Equity to team up with other buyout firms. There is no shortage of potential partners with experience acquiring corporate carve-outs; some even have done deals with big auto makers in the past.

Clayton Dubilier & Rice, Carlyle Group and Merrill Lynch & Co.'s (MER) private equity arm, for instance, acquired car-rental business Hertz Corp. from Ford. Cerberus Capital Management is partnering with Citigroup Inc. (C) to buy a majority stake of General Motors Acceptance Corp., General Motors Corp.'s (GM) financing arm. And Kohlberg Kravis Roberts & Co., Five Mile Capital Partners and Goldman Sachs Capital Partners also bought a piece of GMAC.

A buyout by purely financial players would pose its own challenges, Kummer said. "Operating a luxury brand without any cooperation with a big car manufacturer will be an extremely demanding task," he said.

Moreover, a spinoff would go against the tendency of smaller niche brands to be eaten up by multinational conglomerates, he said. "The consolidation of the automobile industry will continue to go the other way," Kummer said.

But a buyout of some Ford brands is certainly feasible, market observers say. And private equity firms - flush with cash, hungry for assets and well-versed in corporate restructuring - will undoubtedly play an active role in convincing Ford to sell.

"It's a deal that is numerically doable," said the head of financial sponsors group at a bulge-bracket firm. "The question is, 'Who can get it done?'"

Korea's mass-market auto maker, Hyundai Motor Co. (67510.KR), had previously been considered a player for Jaguar as it seeks to expand its reach into the upper end of the global car market, but the company ended up backing away from the idea, company officials say.