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## China's Joyson closes on Key Safety Systems deal, eyes Takata acquisition

Key Safety CEO says company is in the hunt for more acquisitions

By **DUSTIN WALSH**

China's **Ningbo Joyson Electronic Corp.** is interested in acquiring embattled airbag supplier **Takata Corp.**

Joyson is looking to build on its \$920 million acquisition of Takata competitor Sterling Heights-based **Key Safety Systems Inc.**, Key Safety CEO Jason Luo told *Crain's*.

Luo told *Crain's* on Thursday that Joyson and Key Safety are evaluating opportunities in the active and passive safety market and that Takata "could be of interest." Luo declined to elaborate on any details or whether the two parties are engaged in discussions.

Takata is currently floundering under the biggest recall in automotive history. As many as 100 million vehicles worldwide may ultimately be recalled due to faulty Takata airbag inflators linked to 13 deaths and more than 100 injuries. The airbags reportedly can explode, shooting shrapnel into the cockpit, injuring passengers.

Takata Corp. said last month that it hired investment bank **Lazard Ltd.** to lead a financial restructuring in an effort to reduce the impact of the recalls. Takata estimated the recalls would cost the company more than \$24 billion, Bloomberg reported in March.

A deal for Takata would be a boon for Key Safety, which employs 12,000 worldwide, including 300 in Michigan, with revenue of more than \$1.4 billion in 2014. The deal would potentially make Key Safety the largest airbag maker in the world.

Key Safety announced in May 2015 that it would accelerate production of both front and side airbag inflators at plants in Florida and China by more than 5 million units annually to accommodate customers moving away from Takata's airbags.

Representatives for Takata were not immediately available to comment.

Founded in 2004, Joyson has grown into one of China's largest auto suppliers. Besides Key Safety, Joyson bought the automotive division of Germany's **TechniSat Digital GmbH** for \$200 million this year, boosting its revenue to more than \$3 billion.

Key Safety is vying for Takata's market share with Sweden's **Autoliv Inc.**, Japan's **Daicel Corp.**, Germany's **ZF Friedrichshafen AG**. All have ramped up production to replace Takata airbags and inflators as regulators continue to push deeper into the recall.

Takata's market value has plummeted more than 45 percent since the beginning of the recalls, down to \$327 million.

"It's very difficult for Takata to recover from this and the company may be facing a bankruptcy crisis," Tang Yuxin, Joyson's vice president, said in an interview with Bloomberg in March. "All of this has given us a heaven-sent opportunity to enter the industry. What was a market split among four is now shared among three players, so the opportunities naturally have increased a lot."

Bloomberg reported last week that New York investment firm **KKR & Co. LP** is currently in talks with others to make a play to acquire Takata. It's unknown whether Joyson or Key Safety have links to KKR.

Pat O'Keefe, CEO of Bloomfield Hills-based advisory firm **O'Keefe & Associates Consulting LLC**, said Takata and its customers are probably looking for a savior. Automakers aren't likely to push Takata into bankruptcy because there isn't enough airbag capacity to meet volume, O'Keefe said. In fact, some automakers are still installing the faulty airbags on cars on the line, according to a congressional report released on June 1.

"If Takata can arrange a sale without entering into a pre-packaged bankruptcy, the better off they are," O'Keefe said. "It's in their equity holders' best interest as well as the automakers'."

O'Keefe said the result could be a win-win-win, where the buyer gets the market share, Takata gets some remaining value to its equity holders and the automakers get to share the liability with a stronger entity.

Key Safety is one of several automotive acquisitions by Chinese companies in the past few years.

In September, automotive sealing and anti-vibration component supplier **Henniges Automotive Holdings Inc.** was acquired by China's **AVIC Automotive Systems Holding Co. Ltd.** in an estimated \$1 billion deal.

Key Safety was formed when private equity firm **Carlyle Group** acquired the bankrupt assets of Lakeland, Fla.-based **Breed Technologies Inc.** to form Key Safety in 2003. Carlyle sold the company to **Crestview Partners** and the company's management in 2007.

<http://www.crainsdetroit.com/article/20160602/NEWS/160609850/chinas-joyson-closes-on-key-safety-systems-deal-eyes-takata>