

Cadence files for bankruptcy protection, Detroit Free Press turns to McTevia

Cadence files for Chapter 11

Troy-based auto supplier is latest to seek protection

BY JEWEL GOPWANI • FREE PRESS BUSINESS WRITER

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Troy-based Cadence Innovation LLC, which has about 1,500 employees in Michigan, filed for bankruptcy protection Tuesday, becoming the latest in the auto industry to try to sell its assets under Chapter 11.

Like several suppliers that have filed for bankruptcy, Cadence has been squeezed by falling sales and rising prices for the oil-based materials used for its plastic interior parts.

Experts say selling Cadence's plants will be challenging in a tight credit market, and in a sector that is flooded with unused plant space.

Cadence Innovation, which operates five plants in Michigan, formed when its owners bought Venture Holdings Corp. as that Fraser firm emerged from Chapter 11 in 2005.

Cadence, with about \$746 million in annual sales, makes interior parts including consoles and instrument panels. The company has about 4,000 workers worldwide, including operations in Hungary and the Czech Republic. The European operations are not part of the bankruptcy filing, but Cadence intends to sell them.

During the company's 3-year history, it has seen commodity prices skyrocket while sales fall for pickups and SUVs, which make up a third of its business.

Since January 2007, the price of polypropylene, a plastic heavily used for interiors, has skyrocketed 70% from 71 cents a pound to \$1.21 a pound, according to Plastics News.

Cadence's troubles became more acute this summer in the aftermath of strikes at General Motors Corp. and American Axle & Manufacturing Inc. and as truck sales plummeted for its largest customers, GM and Chrysler LLC.

"The cause and effect in this situation is obvious, and the cause is a clear set of external factors -- collapsing revenue and material costs increasing at double-digit rates," Cadence CEO Jerry Mosingo said in a statement.

Before its filing, Cadence had already been trying to sell its operations in the United States and in Europe, but couldn't find a buyer for its U.S. division. Strengthened currency in the Czech Republic derailed plans to sell its operations there.

Selling will be a challenge, said Bingham Farms restructuring consultant Jim McTevia.

"The margins are so thin that buyers usually have to put in some fairly substantial chunks of money for working capital," he said. With a tight credit market, few investors want to take that risk.

Also, McTevia said, the market is saturated with plastics firms looking for buyers.

This year, plastic suppliers Plastech Engineered Products Inc, Blue Water Automotive Systems and Progressive Molded Products Inc. also filed for bankruptcy.

Still, Cadence spokesman Russell Chick said the company is optimistic.

"We do have some SUV business, but we have also won a broad set of contracts on some of the hottest-selling car lines that exist today -- many of them high-mileage vehicles," Chick said in an e-mail.