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Tuesday, October 24, 2006

Ex-GM leader invests in state

Roy Roberts to open Detroit office of Reliant Equity, invest \$250M in Michigan companies.

Joel J. Smith / The Detroit News

DETROIT -- A Chicago equity investment company, led by a former General Motors group vice president, plans to open an office in downtown Detroit with an eye on investing millions of dollars in companies in Michigan and across the nation.

Roy S. Roberts, 66, a retired group vice president of GM North America vehicle sales, service and marketing, said he would open the office immediately in the Penobscot Building and seek \$250 million in new investment capital.

The opening of the Detroit office represents the second phase of investments by Reliant Equity Investors, which Roberts formed in 2001 with Thomas E. Darden Jr., another former GM management employee, and two other partners. The company's first round of investments amounted to \$122 million to purchase six companies in Indiana, California and one in Michigan.

Roberts said Reliant likes to invest in existing light and heavy manufacturers, and companies selling business products, business services and consumer products. They're looking for companies that have the potential to grow with the proper management, he said.

Under the second round of investment, Reliant expects to purchase 12 to 14 companies, each with a value of \$4 million to \$10 million. Reliant expects each company it buys to gross between \$25 million to \$100 million a year.

Although the company has a keen interest in Detroit and Michigan, the firm is looking for companies that make money. Roberts declined to set a goal of a specific number of Michigan companies.

"It would be inappropriate to put a target on how many companies we will buy in Michigan," Roberts said. "We know that Michigan is fertile ground. If we end up with seven companies in Michigan, that wouldn't bother me as long as they weren't concentrated in one area. But it might just be one company too."

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Kenneth Dalto, the owner of a Farmington Hills-based financial management firm whose clients include distressed or underperforming high-growth companies, said Reliant should find plenty of opportunity in Michigan. The troubled auto industry has put pressure on even healthy businesses, with owners looking to get out.

"Detroit and Michigan are good markets," he said. "Michigan is trying to diversify its base. There are some very good companies here. You've got a lot of companies to look at."

He also said Reliant should find considerable investment capital in Michigan.

"He can raise a good portion of that \$250 million right here," he said. "If there is a guy like Roberts with a good pedigree from General Motors and can put together a good business plan and a management team, he can raise the money."

Speaking at a news conference at the Penobscot Building Monday afternoon, Darden said a successful investment strategy depends on the quality of the Reliant management team, as well as capable CEOs they can move into new companies and help them grow.

He said the firm's Michigan company is Saginaw Powertrain Inc., an automotive drive train component facility.

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