

Johnson Controls, Wanxiang to bid at A123's auction

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NEC and Siemens also interested in bidding

Johnson Controls (JCI) and China's Wanxiang will bid in an auction on 6 December to buy battery-maker A123 Systems, reports Reuters. Wanxiang told US Bankruptcy Judge Kevin Carey yesterday (8 November) that it has sent A123 a confidential bid for the entire business on 7 November. Japan-based NEC and Germany-based Siemens are also interested in bidding; the former is interested in the non-automotive business of A123. Timothy Pohl of Lazard Freres & Co, A123's investment banker told the bankruptcy court that he was expecting more bidders saying, "This is not a two-horse race. This is a 10-horse race."



Significance: A123 went bankrupt in October this year with an agreed bid of USD125m from JCI for its automotive business. This bid will serve as an initial bid meant to encourage other potential buyers. The money raised in the auction will be used to pay A123's creditors. Wanxiang's bid will need approval from the Committee on Foreign Investment in the US. Two Republican senators have asked the committee to review Wanxiang's application. They have raised concerns claiming that if the deal is finalised, Wanxiang can get technological insights into A123 System's military contracts and grid storage technologies, putting intellectual property at risk. The Chinese company was seeking to push the auction to December, so that it gets regulatory clearance. JCI on the other hand wanted the auction on 17 November. A123's sales draws scrutiny from US politicians as the company received USD249m grant money from the US Department of Energy to support battery production. A123's lawyer Jan Baker of Latham & Watkins has told the court that employees are leaving the company and the deal needs to be finalised soon. Judge Carey has approved incentive and retention plans for A123 employees. The battery maker has been under financial stress owing to less than expected sales at its biggest customer Fisker, worsened by a battery recall in March this year.

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