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Chinese company sweeps up Hoover

Whirlpool selling floor-care business for \$107 million

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Whirlpool Corp. on Thursday agreed to sell its recently acquired Hoover floor-care operation for \$107 million to Hong Kong-based Techtronics Industries Co.

Sale of the floor-care business "allows us to focus on our core appliance business," said Whirlpool Chairman and Chief Executive Jeff Fettig.

Whirlpool announced several months ago that it intended to sell the Hoover operation, which has had difficulty competing with a surge of low-cost imports, in part because the vacuum maker is saddled with relatively high labor costs.

It wasn't immediately clear whether the Chinese purchaser intends to continue using Hoover's manufacturing operations in the United States, the largest of which is a 850-employee unionized factory in North Canton, Ohio.

In recent months, the Ohio workers have been scrambling to put together an employee buyout of Hoover. Thursday's announcement of the sale to the Asian manufacturing concern appears to kill any chance of that, however.

Techtronics is best known as a maker of power tools, sold under the well-known Milwaukee and Ryobi brands. But the Asian company is also a major producer of floor-care appliances, which it supplies under such brand names as Royal, Dirt Devil, Regina and, in Britain, the Vax brand.

The Hoover purchase, expected to close by the third quarter of 2007 at the latest, "will strengthen our market presence globally," Techtronics said.

Although Hoover generates annual sales of \$450 million to \$500 million, estimated B. Craig Hutson of the bond-analysis firm Gimme Credit, it has been losing money as well

as market share "and will require significant investment by Techtronics to improve results."

Whirlpool took ownership of Hoover when the appliance manufacturer acquired Hoover parent Maytag Corp. for \$1.7 billion in March. In May, Whirlpool announced plans to shed the financially struggling Hoover operation, as well as three other former Maytag businesses, by year-end.

Michigan-based Whirlpool sold off the Amana commercial microwave operation for \$49 million, and the Dixie-Narco vending-machine business drew \$46 million in a separate transaction. Still unsold is the Jade commercial-appliance group.

Including non-union operations in Texas and Mexico, Hoover has a total workforce of about 2,600 and is the largest of the operations Whirlpool is divesting.

Under the sale accord, Whirlpool retains responsibility for pension obligations of currently retired Hoover workers.

Hoover probably would have drawn a higher sales price, experts have suggested, but for the fact that its buyer probably will face hefty separation costs if it decides to restructure, particularly if the cuts include the jobs of the unionized Ohio employees.

Part of the rise of low-cost floor-care producers can be traced to the growing importance of "big box" retailers in the United States. High-volume retail chains, such as Wal-Mart Stores Inc., Home Depot Inc. and Target Corp., routinely use their purchasing power to squeeze lower prices from suppliers. That situation puts companies with domestic manufacturing facilities, like Hoover, at a disadvantage.

Jim Repace, head of the North Canton local of the International Brotherhood of Electrical Workers, who has been leading the ill-fated attempt to mount an employee buyout, said union officials hope to meet soon with the new owners.

"We're looking forward to an opportunity to have talks with them and work something out so that we can remain strong here in North Canton," he told The Associated Press. "People here need to have their jobs, make a living and raise families."

In New York Stock Exchange trading Thursday, Whirlpool shares edged down 24 cents, to \$86.13.

Hoover's history

1907 James Murray Spangler, working as a janitor in a Canton, Ohio, department store, develops a prototype for the first portable electric vacuum sweeper using a soap box, an electric fan, a broom handle and a pillow case.

1908 After making improvements and receiving a patent, Spangler sells rights to his "electric suction sweeper" to William H. Hoover.

1943 The Hoover family takes the company public.

1985 Hoover is acquired by Chicago Pacific Corp.

1989 Maytag Corp. acquires Chicago Pacific.

LATE 1990s/EARLY 2000s A rising tide of low-price imports, coupled with the increasing market power of low-cost mass retailers like Wal-Mart and Target, puts heavy pressure on Hoover's profit.

MARCH 2006 Whirlpool acquires ailing appliance-industry rival Maytag and puts Hoover up for sale. Hoover employees in Canton begin exploring an employee buyout.

DEC. 2006 Whirlpool sells Hoover to Hong Kong-based Techtronics Industries for \$107 million. As part of the deal, the U.S. company retains pension liabilities for currently retired employees.

Source: The company, news reports

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