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**U.S. BUSINESS NEWS**

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# TRW Rejects Northrop's Higher Bid, Holds Out for an Even Sweeter Deal

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TRW Inc. rejected Northrop Grumman Corp.'s sweetened \$6.68 billion hostile bid but put itself up for sale, betting that fast growth in its defense businesses and an anticipated recovery in its automotive and aerospace operations will attract a bevy of buyers eager to pay an even higher price.

The TRW board's decision to entertain higher offers comes at a crucial time in the two-month-old takeover battle between the two defense companies. With TRW shareholders scheduled to hold an important vote on Northrop's bid Monday, both companies made fresh pitches to win the support of investors while filing court actions against each other over the timing of the meeting.

Still, the move could open the door for Northrop to negotiate a friendly acquisition that would expand the defense giant's operations into the lucrative areas of military satellites and missile defense. Northrop executives expressed "cautious optimism" about the possibility of reviewing TRW's internal financial records to see if the company is worth more than Northrop's current \$53-a-share bid in stock. Indeed, Northrop executives immediately tried to start that process, asking TRW to provide the terms of a confidentiality agreement.

TRW officials said the company's board decided in a late Tuesday meeting to review all strategic options because of numerous "expressions of interest" from potential buyers. But Wall Street investment bankers and industry executives suggested that suitors more likely would seek to buy TRW's military or aerospace businesses, not the entire company. Indeed, no rival bidder stepped forward after Northrop made its initial overture for TRW in February. Plus, defense-industry executives have cited TRW's lagging auto-parts business and its potential related asbestos liabilities as deterrents.

## TAKEOVER BATTLE

[CNBC Dow Jones Business Video<sup>1</sup>](#): Northrop Chairman and CEO Kent Kresa comments on the sweetened offer for TRW.

- [Increased Military Defense Spending Boosts Northrop, General Dynamics<sup>2</sup>](#)  
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- [TRW Seeks Shareholder Patience<sup>3</sup>](#)  
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- [Northrop Pumps Up Bid<sup>4</sup>](#)  
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## COMPANIES

Dow Jones, Reuters

### TRW Inc. (TRW)

PRICE	54.60
CHANGE	0.10
U.S. dollars	12:20 p.m.

### Northrop Grumman Corp. (NOC)

PRICE	117.80
CHANGE	1.17
U.S. dollars	12:20 p.m.

\* At Market Close

"We've got a very good position in areas like missile defense, telecommunications, connectivity -- all the transformation buzz words that Defense Secretary Donald Rumsfeld is using," said TRW's acting chairman, Phil Odeen. "We've had a number of inquiries from companies that said they'd be interested in a possible transaction."

Even as it opens the door to bidders, TRW said it will continue with its own restructuring plan to sell the aerospace-parts business, which has about \$1.1 billion in annual revenue, and split itself into two separate companies -- one defense, one auto -- by year end.

Interested parties have been sniffing around TRW's aerospace business for weeks but the company was in exclusive talks with one unnamed party and rebuffed their overtures. Now Mr. Odeen says the company is open to talking to those other companies, which include **Honeywell International Inc.**, **United Technologies Corp.**, **L-3 Communications Holdings Corp.** and private-equity firm Carlyle Group, as well as some European buyers, people familiar with their interests said. Spokesman for these companies declined to comment.

TRW also said it is talking to private-equity firms about taking a partial stake in its auto business when it is spun off later this year. It is unclear if there will be any takers since several such firms have been examining the business for months and opted not to make a bid.

The company, which received about two-thirds of its \$16 billion in 2001 revenue from its automotive operations, Wednesday posted stronger-than-expected first-quarter results and boosted its financial expectations for 2002. In the first quarter, TRW's net income totaled \$91 million, or 71 cents a share, up 65% from \$55 million, or 44 cents a share, a year earlier. If the year-earlier figure was adjusted to reflect a new accounting rule regarding goodwill, earnings for that period would have been \$78 million, or 62 cents a share.

Wall Street expected the company to earn 64 cents a share, according to an average estimate of 12 analysts surveyed by Thomson Financial/First Call. Revenue slipped 2% to \$4.08 billion as sales in the auto and aerospace units continued to fall.

For 2002, the company said it would earn between \$3.55 and \$3.60 a share, up from its earlier prediction of \$3.30. In 2001, the company earned \$296 million.

Meanwhile, TRW filed suit against Northrop in a federal court in Ohio, seeking a court order to postpone the April 22 meeting until May 3. The meeting represents the first time TRW shareholders would get to signal their preference about the company's future by voting on whether to let Northrop proceed with its stock-exchange offer. On Tuesday, Northrop refused a request from TRW to set a new meeting date. A hearing is set for Thursday.