

## **United Technologies To Buy Goodrich For \$16.4B**

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NEW YORK (AP) — United Technologies Corp. said it will buy Goodrich Corp. for about \$16.4 billion in cash, calling the aerospace and defense company a perfect addition that will allow it to take advantage of rapidly growing demand for aircraft components.

The Hartford, Connecticut-based industrial conglomerate already owns jet engine manufacturer Pratt & Whitney as well as Carrier heating and cooling, Otis elevator and other businesses.

Goodrich makes a variety of aircraft components including landing systems, wheels and brakes, along with systems for military aircraft. The deal is expected to create a \$66 billion company, with a little less than half of its sales coming from aerospace, United Technologies said.

"I am bullish on aerospace and the whole team is bullish on aerospace, it's one of the few areas with a brighter outlook today," Louis Chenevert, United Technologies' chairman and CEO, said in a conference call Thursday morning.

"Goodrich again like UTC is well positioned with higher content on many new platforms," he said.

The deal announced late Wednesday had been rumored for days, sending Goodrich's shares soaring.

United Technologies said it will pay \$127.50 a share in cash for Goodrich, which is based in Charlotte, North Carolina, and has 27,000 employees.

The offer amounts to a 16 percent premium over Goodrich's Wednesday closing stock price and a 47 percent premium above the stock's price last Thursday, before word of a pending deal first leaked.

In heavy trading Thursday morning, Goodrich shares jumped \$11.23, or 11.2 percent, to \$120.72, after touching a 52-week high of \$120.93 earlier in the session. United Technologies shares fell \$5.52, or 7.4 percent, to \$69.32, after tumbling as low as \$69.04 earlier. Over the past 52 weeks, it's shares have traded between \$67.12 and \$91.83.

Based on Goodrich's outstanding shares and securities that can be converted into common stock, the offer is worth about \$16.4 billion. United Technologies said it would also assume \$1.9 billion in debt.

Under the terms of the deal, United Technologies is forming an aerospace business unit that will be based in Charlotte and led by Goodrich Chairman, President and

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CEO Marshall Larsen.

Chenevert said the aerospace sector is poised for growth, thanks to demand from emerging markets and the need to replace aging aircraft. He noted that Boeing Co. expects to deliver 33,500 new aircraft in the next three years, compared with 20,000 in the last 20.

About 30 percent of Goodrich's business comes from defense spending, which has been hit with significant cuts in government spending this year.

But Larsen said that Goodrich's defense sales are very broad and not dependent on any one or two large programs. In addition, the areas it focuses on, which include surveillance and guidance systems, along with helicopter and fighter aircraft programs, are some of the least likely to fall victim to budget cuts, he said.

Despite an overall drop in government defense spending, Goodrich's space and defense revenue rose 8 percent on an organic basis — excluding the impact of currency fluctuations or acquisitions — in the first half of this year, Larsen said

United Technologies said it expects to finance the deal through a combination of debt and by issuing stock. The equity component of the deal is expected to be about 25 percent, the company said.

Gregory Hayes, United Technologies' chief financial officer, said that in order to maintain its credit ratings, the company will suspend its stock buyback program through next year and significantly reduce it in 2013 and 2014, probably cutting it in half to about \$1 billion a year.

Moody's Investors Service on Thursday affirmed United Technologies' investment grade ratings, including its "A2" senior unsecured and "Prime-1" short term ratings. It also placed Goodrich's investment grade ratings, including its "Baa2" senior unsecured rating, under review for possible upgrade.

The ratings service said Goodrich's aerospace businesses are good strategic additions to United Technologies' existing lineup. Despite the about \$12 billion increase in debt to fund the deal, the company's finances should quickly return to the levels needed to support its current ratings, Moody's said.

The combined companies are expected to post annual sales of about \$66 billion and the addition of Goodrich is expected to boost United Technologies' profits in the second year.

United Technologies backed its financial guidance for this year, saying it still expects to post a profit of \$5.35 to \$5.45 per share on \$58 billion in revenue. Analysts polled by FactSet expect a profit of \$5.46 per share on \$58.19 billion in sales.

Goodrich is expected to post 2011 revenue of around \$8 billion.

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