United Tech To Sell Rocket Engine Businesses

Stephen Singer, AP Business Writer

HARTFORD, Conn. (AP) — United Technologies Corp. said Thursday that it will sell its rocket engine and wind power businesses to help finance its $16.5 billion purchase of aerospace supplier Goodrich Corp.

The Hartford, Conn.-based industrial conglomerate, seeing a murky future in space travel and alternative energy, said it will sell Pratt & Whitney Rocketdyne, Clipper Windpower and its three industrial businesses at its Hamilton Sundstrand aerospace components manufacturer. It expects to raise $3 billion from the sales to finance its biggest acquisition ever.

CEO Louis Chenevert emphasized at United Technologies' annual analysts meeting in New York that Goodrich will strengthen United Technologies' position in the growing aerospace industry.

"It's right in our core. It adds to the portfolio," he said. The Goodrich acquisition was announced last September and is expected to close by the middle of the year.

The sale of Rocketdyne, owned by United Technologies for seven years, is partly in response to the end to NASA's 30-year space shuttle program last July.

"Without a national space policy, growth will be limited," Chief Financial Officer Greg Hayes told analysts.

He added that selling Clipper was not a difficult decision because the alternative energy business has stalled. "We've gone into this business with the thought that there was going be a renewable energy mandate in this country and there has not been one," Hayes said.

That's a reversal from comments to analysts last year that United Technologies' $382 million purchase of Clipper Windpower in 2010 would help it capitalize on a global market it valued at $60 billion.

Alternative energy has stagnated with booming natural gas exploration. The nation's supplies are bulging and natural gas is cheap. By comparison wind power is less economical than many thought it would be two years ago, he said.

Drexel Hamilton analyst Rick Whittington gave a mixed review to the sales. He said "good riddance" to Rocketdyne, which represents the "end of an era" in space travel. And he called Clipper a "misbegotten acquisition."

But he said the industrial businesses, which make compressed air, fluid control and industrial pump equipment, would not be on his list of properties to sell. They are valuable because they are used for the growing domestic natural gas industry,

Whittington said.

In addition to selling some of its businesses, United Technologies will take on $8 billion to $10 billion in short- and long-term debt to finance the Goodrich deal. It also will use $3 billion in cash and $1.5 billion in mandatory convertible issues.

United Technologies executives have said over the past few months that United Technologies will seek alternatives to issuing stock to pay for the deal.

Matt Collins, an analyst at Edward Jones, said the decision by United Technologies to abandon its initial plan to raise $4 billion by issuing stock, and borrow at low interest rates instead, should win praise from investors.

"You hear a collective sigh of relief that raising equity is dead," he said. "The pressure was on from day one."

Restructuring costs associated with buying Goodrich, interest and other costs will total $195 million, or 25 cents per share, in 2012. CFO Hayes said the Goodrich acquisition is expected to add 50 to 55 cents per share to earnings in 2013.

Also on Thursday, United Technologies backed its guidance for 2012 profit of $5.30 to $5.50 per share, including Goodrich. It expects revenue of $61 to $62 billion.

United Technologies is the parent company of Otis elevator, Carrier heating and air conditioning, Sikorksy Aircraft and other businesses.

Shares closed at $86.89, up 8 cents.

Source URL (retrieved on *07/31/2014 - 7:50pm*):
http://www.impomag.com/news/2012/03/united-tech-sell-rocket-engine-businesses?qt-digital_editions=0