

Chinese Firm To Buy Hawker Beechcraft

Roxana Hegeman, Associated Press

WICHITA, Kansas (AP) — Struggling aircraft maker Hawker Beechcraft announced Monday that it had reached a \$1.79 billion "exclusivity agreement" with a Chinese aerospace manufacturer for the sale of its business jet and general aviation operations in a deal that will save thousands of jobs in Kansas and Arkansas.

Under the agreement Beijing-based aerospace manufacturer Superior Aviation Beijing Co., Ltd., will buy Hawker Beechcraft and make payments over the next six weeks to support ongoing operations until the deal is finalized.

The sale does not include Hawker Beechcraft Defense Co., which will remain a separate entity.

If the transaction is completed, Superior intends to maintain Hawker Beechcraft's existing operations while putting "substantial capital" into the company and its business and general aviation product line, saving thousands of American jobs, the company said.

Hawker Beechcraft filed for bankruptcy protection in May to expedite a prearranged restructuring of the company and some of its subsidiaries. Hawker Beechcraft Corp., which is owned by GS Capital Partners and Onex Partners, has struggled with tepid demand for its military planes and business jets.

The company employs about 7,400 people, with roughly 4,700 working at its Wichita, Kansas, facility. It also has factories in Little Rock, Arkansas, the U.K. and Mexico, as well as more than 100 service centers worldwide.

Steve Rooney, president of the local for the machinists union, did not immediately return a call for comment.

Robert Miller, CEO of Hawker Beechcraft Inc., said in a news release that Superior first approached Hawker Beechcraft years ago regarding a potential partnership. He cited Superior's "demonstrated ability to quickly restore a business to profitability after emerging from Chapter 11" and said a transaction with Superior would maximize value for Hawker Beechcraft and its stakeholders.

"Importantly, this combination would give Hawker Beechcraft greater access to the Chinese business and general aviation marketplace, which is forecast to grow more than 10 percent a year for the next 10 to 15 years," Miller said.

Bill Boisture, chairman of Hawker Beechcraft Corp., said Superior's bid for the company was the most attractive received during Hawker's strategic review process. Its plan also offered the most continuity for Hawker Beechcraft, allowing the company to preserve jobs, product lines and maintain commitments to

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customers.

Under terms of the agreement Superior intends to make Hawker Beechcraft its flagship investment, maintain its U.S. headquarters, management team and employees and continue product development throughout its lines. If the parties negotiate a definitive agreement during the 45-day exclusivity period, it would be subject to a further "competitive public auction process," Hawker said.

While neither ownership nor control of Hawker Beechcraft Defense Co., will transfer to Superior, up to \$400 million of the \$1.79 billion purchase price will be refundable to Superior in the event HBDC is sold.

The deal is also subject to regulatory approvals from the Chinese and U.S. officials. Bankruptcy court approval is also required.

If the deal collapses, Hawker Beechcraft said it will proceed with its bankruptcy reorganization plan to emerge as a stand-alone company.

Superior Aviation is 60 percent owned by Beijing Superior Aviation Technology Corp., Ltd, a closely held private entity, and 40 percent by Beijing E-Town International Investment & Development Corp., Ltd, a company controlled by the Beijing municipal government.

Since its founding and highly leveraged 2007 purchase of Raytheon Aircraft, Hawker Beechcraft has carried a heavy debt burden, reporting total debt of \$2.3 billion at the end of 2011, according to its annual statement to the Securities and Exchange Commission.

Hawker Beechcraft said that the proposed combination of Hawker Beechcraft and Superior "will not require a financing condition."

In December 2010, Hawker Beechcraft struck a deal with state and local officials to keep its aircraft operations and at least 4,000 jobs in Kansas until 2020 in exchange for \$45 million in incentives.

On Monday, the only comment from the Kansas. Gov. Sam Brownback's office was a one-line response sent in an email: "The state is following the situation closely."

Hawker Beechcraft traces its Kansas roots to Beech Aircraft Corp., a company founded by Walter and Olive Ann Beech that began making aircraft in the 1930s.

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