

Analysts skeptical over Hawker Beechcraft deal

July 11 2012, by ROXANA HEGEMAN



Employees build a Beechcraft King Air at the Wichita, Kansas Hawker Beechcraft plant in Jan. 2011. The struggling aircraft maker announced Monday, July 10, 2012 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. (AP Photo/The Wichita Eagle, Molly McMillin)

(AP) — Aviation analysts were skeptical Tuesday about claims being made in the planned sale of aircraft maker Hawker Beechcraft Inc. to a Chinese firm, including one longtime industry observer who called it "beyond smoke and mirrors."

The \$1.79 billion offer for Wichita, Kansas-based Hawker Beechcraft by Beijing-based Superior Aviation Beijing Co. is "a lot of money" for a struggling company with old product lines that has spent little on research and development — particularly since its defense operations are not included in the deal, several analysts said.

Under the agreement Superior 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.

But analysts wondered whether company claims that thousands of U.S. jobs will be saved or that the purchase will open access to the rapidly expanding Chinese market. They questioned the idea that a Chinese company would build planes in Kansas to ship back to China — particularly when 40 percent of Superior is owned by a company controlled by the Beijing municipal government.

"The sticking point is: Are they really going to keep all these jobs in Kansas? It really doesn't make sense," said Cai von Rumohr, an analyst at Cowen and Co.



This Feb. 9, 2011 photo shows an employee working on the Premier line of business jets at Hawker Beechcraft's Wichita, Kansas plant. The struggling aircraft maker announced Monday, July 10, 2012 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. (AP Photo/The Wichita Eagle/Kansas.com, Jaime Green)

He cited the recent move by Cessna Aircraft to partner with stronger aviation players in China to make a number of products in China for the Chinese market.

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

Hawker Beechcraft officials had no new information Tuesday on the sale and refused comment on the statements from analysts. Hawker Beechcraft CEO Robert Miller said in announcing the sale Monday that the deal would give his company "greater access to the Chinese business and general aviation marketplace. "

Also, analysts say it's not clear what Superior can do in China because the company is not one of China's big aerospace firms, such as the China Aviation Industry General Aircraft Co., or CAIGA, which last year bought a the parent company of Cirrus Aircraft in the United States. Superior is owned 60 percent by private investors and 40 percent by a company controlled by the Beijing municipal government.

"That is beyond smoke and mirrors — it is something kind of ethereal," said Richard Aboulafia, an aviation analyst with Teal Group, a Fairfax, Virginia-based aerospace and defense analysis company. "That market isn't all that big, it has good growth rates, but in terms of being able to

sustain the company, no."

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.

Aboulafia said assurances from Superior that it will continue building planes are farfetched. He says they likely will divest themselves of product lines and keep the parts and distribution business.

"The idea of Superior building planes is a little farfetched," Aboulafia said.

Copyright 2012 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Analysts skeptical over Hawker Beechcraft deal (2012, July 11) retrieved 12 May 2024 from <https://phys.org/news/2012-07-analysts-skeptical-hawker-beechcraft.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.