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Beechcraft emerges from bankruptcy with new focus

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Hawker Beechcraft is no more.

The company emerged Tuesday with a new name — Beechcraft Corp. — new owners, a narrowed product line that doesn't include business jets, and, most importantly, a fraction of the debt that brought Hawker Beechcraft to bankruptcy more than 10 months ago.

Bill Boisture, who has returned to his role as the airplane maker's top executive, said that the reorganized company is ready to focus on growing again.

"We have put this company in position to compete in the global markets and win," he said. "It feels very positive."

The emergence from bankruptcy continues the legacy of the company founded in 1932 by Walter and Olive Ann Beech, which has manufactured more than 54,000 airplanes, 36,000 of which it said are still flying.

The exit from bankruptcy — which comes a little more than two weeks after a New York judge gave final approval to the company's reorganization plan — means new owners for the company. About 90 percent of Beechcraft's owners are financial institutions that were its secured creditors during the bankruptcy. The largest creditors among them are Angelo, Gordon & Co., Capital Research & Management, Centerbridge Partners LP and Sankaty Advisors, a division of Bain Capital.

They swapped the money owed them for an equity stake in Beechcraft. Onex Partners and Goldman Sachs' GS Capital Partners, the pre-bankruptcy majority owners of Hawker Beechcraft, have "a very, very small percentage of equity" in the new company, Boisture said.

The Pension Benefit Guaranty Corp., the federal government's pension insurer, is among the smaller creditors that account for the other 10 percent ownership stake in Beechcraft.

It also has a new board of directors. Besides Boisture, the other directors are Robert "Bob" Johnson, who will be the non-executive chairman; Gen. Donald G. "Don" Cook; Gene Davis; Ralph Heath; David Tolley; Gideon Argov; Mark Ronald; and Paul Fulchino.

Robert "Steve" Miller, who was CEO of Hawker Beechcraft, becomes a senior adviser to the board. Boisture was CEO of the company until its board of directors brought in Miller, a restructuring specialist, about a year ago.

Leaving jets

Beechcraft Corp.'s product line comprises propeller-driven airplanes: Bonanza, Baron and King Air, and the T-6 military trainer and the AT-6 light-attack airplane. Gone are its Hawker business jets: the 4000, 900XP and Premier IA/Hawker 200.

Boisture said the company is leaving that part of the business because pressure on new aircraft pricing still exists and the downturn in demand in the jet categories it served — light, midsize and super midsize — has not recovered.

"The investment required to continually upgrade the jet product line and to keep it competitive in the long run did not represent a good use of the company's funds," Boisture said. He said he does not see the company returning to the manufacture of business jets, at least "not in the foreseeable future."

As part of its exit from business jets, Boisture said Hawker assets — intellectual property such as designs, tooling, equipment and its business jet completions facility in Little Rock, Ark. — are for sale.

"We would hope to complete that in the first half of the year," Boisture said.

But, he said, the new company remains in the service business for its jets, including offering upgrades to its Hawker 400 and 800 business jets, both of which are out of production. That will be part of its global customer support business, which will include parts, maintenance, repairs and refurbishment.

Employment numbers

Through the economic downturn and the bankruptcy, Hawker Beechcraft cut its work force by several hundred.

Boisture said he thinks the roughly 3,300 now employed in Wichita and 5,400 worldwide are about right for the new company, adding he doesn't expect any "major changes" to the company's employee head count.

"We think we have the company appropriately sized to the market," he said. "That's both commercial and military."

The new company emerges with \$225 million in net debt, and sheds the \$2.5 billion in debt that saddled its predecessor.

"The important message is you've gone to a net debt of one-tenth of what you had before," Boisture said. "All the other debt is gone."

Beechcraft has received exit financing of \$600 million in the form of a term loan and revolving credit from JPMorgan Chase Bank and Credit Suisse. Tuesday's date of emergence from bankruptcy is tied to when that financing is available, Boisture said, akin to the closing date on the sale of a house.

Boisture said the company's employees — union and non-union — have continued to work hard throughout the reorganization, despite a lot of uncertainty and layoffs. In 2012, the company issued layoff notices to more than 1,000 Wichita employees.

"We have a very good team of people who have experienced a very tough time," he said, adding that its union work force has been "very supportive of the changes we needed to make during this restructuring."