ROCKWELL COLLINS BUYS B/E AEROSPACE FOR $62 PER SHARE

News / Finance, Manufacturer

Aircraft component maker Rockwell Collins Inc has struck a deal to buy aircraft interior maker B/E Aerospace Inc for $62 per share in cash and stock, the companies said on Sunday.

The acquisition, valued at $6.4 billion plus the assumption of $1.9 billion in debt, expands the range of products Rockwell Collins supplies to major commercial and business aircraft and broadens its customer based internationally.

The combination is expected to produce cost savings of about $160 million and provide a double-digit boost to per-share earnings in the first full year, the companies said. They also anticipate it generating more than $6 billion in free cash flow over five years.

Rockwell agreed to pay $34.10 per share in cash and $27.90 in shares of Rockwell Collins stock, a 22.5 percent premium to B/E Aerospace's closing price on Friday.

The companies have little product overlap. Rockwell is best known for avionics, flight control systems and cabin connectivity, while B/E Aerospace is a major provider of aircraft seats, galleys, lighting and other systems.

Rockwell, based in Cedar Rapids, Iowa has market value of about $11 billion, more than twice the size of Wellington, Florida-based B/E Aerospace, which has a market value of $5.1 billion.

B/E Aerospace brings more aftermarket and aircraft retrofit business to Rockwell, which is mainly focused on new equipment, and also adds exposure to twin-aisle aircraft, said Richard Aboulafia, an aerospace analyst at the Teal Group.

Pricing pressures from Boeing Co and Airbus are one driver of such a deal. "But it's also a pretty clear indicator that the market has peaked in terms of deliveries and orders," Aboulafia said of new aircraft sales. "In this environment, consolidation is inevitable as a cost-control move."

23 OCTOBER 2016

SOURCE: REUTERS
ARTICLE LINK:
https://virginia.50skyshades.com/news/finance/rockwell-collins-buys-be-aerospace-for-62-per-share

