

Hawker Beechcraft: Emerging markets keep orders flowing

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Hawker Beechcraft may be able to trace its ancestry to the earliest days of corporate aviation in the 1930s, but the company recently celebrated a very important first anniversary – marking a year since **Goldman Sachs** and **Onex**, the Canadian investment firm, paid \$3.3bn to buy it from **Raytheon**, the US defence contractor.

Brad Hatt, Hawker Beechcraft's president of commercial sales, says gaining its independence and going private have changed perspectives at the company.

"We're making decisions that are in the best interests of Hawker Beechcraft and aren't being made in light of being a piece of a \$20bn company," he says.

"We're able to make long-term investment decisions without having to worry about the quarterly reviews that you face as part of a public company," Mr Hatt adds.

"In the aviation industry, when you're looking at product development, you have to bet very big dollars well into the future. It takes many years to develop an aircraft and it's a very large investment.

"When we were at Raytheon, there was a reluctance to do that because of the impact it has on the short-term results. Now, as a private company, we're able to make those decisions with a long-term perspective."

Had Raytheon not sold the Wichita, Kansas-based company, it would probably not have been happy with Hawker Beechcraft's most recent quarterly earnings.

This month the aircraft-maker recorded a \$1.5m operating loss for the first three months of the year from charges related to its long-awaited Hawker 4000, a super-midsize twin-engined corporate jet. The company was landed with an \$18.4m bill for making changes to the composite-fuselage aircraft to conform to the final type design from the US Federal Aviation Administration.

First delivery of the Hawker 4000 – originally scheduled for 2006 – is now expected this month or next, adding to a wide-ranging product line that goes down to the Beechcraft Bonanza G36, a single-engine piston aircraft that has the longest continual production history in the industry, stretching back more than 60 years.

The fate of the Hawker 4000 will be widely watched in the industry, says Ray Jaworowski, senior aerospace analyst at Forecast International, the US research group. "It's kind of a bellwether of how Hawker Beechcraft is faring on the development and production side of things."

Although its most immediate concern is to begin delivery of the Hawker 4000, the company also says it will shortly be unveiling some improved models.

"Our future developments will be derivative upgrades on our existing product lines – like new engines, new avionics and new interiors," says Mr Hatt.

Two product announcements were expected this week at the European Business Aviation Convention and Exhibition in Geneva, with more announcements expected at the National Business Aviation Association meeting in Orlando in October.

The announcements in Geneva were expected to include a new version of the Beechcraft Premier 1A light jet. The Premier, first introduced in 2001, was last updated in 2005.

Hawker Beechcraft racked up \$3.5bn in sales last year and delivered 430 aircraft, compared with sales of \$3bn and 462 deliveries in 2006. Last year, for the first time, the company sold most of its aircraft outside the US – up from about 35 per cent in 2006 – while non-US orders make up more than 60 per cent of its

current order intake.

The US remains the largest single market but Mr Hatt says it “has definitely softened over the past 18 months”. However, international sales have more than offset that weakness.

Sean McGeough, Hawker Beechcraft’s vice-president of international sales, says that while Europe is the company’s second largest market outside North America, the fastest growth is in emerging economies.

The countries Mr McGeough lists include the usual suspects of Brazil, Russia, India and China, but he notes that the company also has strong customer bases in Turkey, Mexico and Africa.

Like Cessna and **Bombardier**, Hawker Beechcraft sees great potential in these markets. “There’s a tremendous amount of wealth that’s being created,” says Mr Hatt, noting that customers are “both wealthy individuals and large companies”.

The aircraft-maker recently moved its international sales headquarters from Kansas to Chester, England, “so we can be more proactive to the marketplace”, says Mr McGeough.

Hawker Beechcraft’s strength in turboprops and pistons will be useful in exploiting underdeveloped markets, says Mr Jaworowski. “That provides an entry-point into the private aircraft market for owner-operators,” he says.

“They buy a turboprop or a piston as their first aircraft and that puts them on the product ladder so, as their requirements change, they can move up to the next larger model – and ultimately get the jet.”

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