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Hawker Beechcraft Acquisition Company, LLC Reports Third Quarter 2009 Results



BY TEXTRON AVIATION

Hawker Beechcraft Acquisition Company, LLC (HBAC) reported lower sales and operating income for the three months ended Sept. 27, 2009, compared to the same period in 2008. The third quarter 2009 results were impacted by significant non-cash impairment charges related to goodwill, intangible and other assets, primarily in the Company's Business & General Aviation (B&GA) segment. In addition, the quarter was impacted by reduced B&GA deliveries, caused by adverse market conditions, partially offset by higher volume in the Trainer Aircraft segment. The comparable quarter of 2008 was adversely impacted by the effects of the strike by the Company's union work force during August 2008.

Net sales for the three months ended Sept. 27, 2009, were \$757.7 million, a decrease of \$25.6 million compared to the third quarter of 2008. Continued weakness in the general aviation market significantly impacted aircraft deliveries in the B&GA segment during the quarter. The Company delivered 64 business and general aviation aircraft consisting of 25 jet, 30 turboprop and 9 piston aircraft, as compared to 86 aircraft during the same period in 2008, resulting in a decrease in B&GA sales of \$98.6 million.

The decrease in sales for the B&GA segment was partially offset by a \$92.3 million increase in Trainer Aircraft segment sales as a result of increased production volume in support of higher aircraft delivery volumes. Sales in the Trainer Aircraft segment were \$169.7 million for the three months ended Sept. 27, 2009, compared to \$77.4 million for the comparable period in 2008. Production volume in 2008 was impacted by the strike and by a delivery suspension in place at that time.

Sales in the Customer Support segment were \$100.2 million for the three months ended Sept. 27, 2009, compared to \$125.7 million in the comparable period of 2008, reflecting reduced volumes and the impact of the sale of the fuel and line operations in late 2008. The reduced volumes are primarily the result of lower general aviation aircraft usage due to recent economic conditions.

Excluding significant impairment and other charges, the Company recorded an operating income of \$5.3 million for the three months ended Sept. 27, 2009, compared to \$15.3 million for the third quarter of 2008. The decline is primarily due to reduced B&GA aircraft deliveries partially offset by higher volume in the Trainer Aircraft segment.

Impairment and other charges totaling \$726.4 million resulted in the Company recording an operating loss of \$721.1 million for the three months ended Sept. 27, 2009. During the quarter, the Company recorded non-cash impairment charges totaling \$521.3 million to reduce the carrying value of goodwill and intangible assets in the B&GA segment, including a full impairment of the \$340.1 million of B&GA segment goodwill. The Company also recorded additional charges of \$205.1 million related to other asset impairments and to increase reserves for loss-making aircraft and potential supplier claims. The charges were primarily caused by the Company's updated expectations as to the timing of a general aviation market recovery, the resulting reduced production volumes and increased downward pricing pressure on new aircraft sales.

For the three months ended Sept. 27, 2009, cash flow from operations was \$58.5 million. The positive cash flow during the quarter was primarily due to a reduction in inventory on-hand as a result of aircraft delivered during the quarter, as well as lower new material receipts associated with revised production levels and improved inventory management.

Backlog was \$6.6 billion at Sept. 27, 2009, compared to \$6.8 billion at June 28, 2009, and \$7.9 billion at Sept. 28, 2008.

Additional financial statement information is included in the Appendix to this release.

Earnings Conference Call:

HBAC's earnings results conference call for the three months ended September 27, 2009, will be held on Nov. 9, 2009, at 2 p.m. CST. To attend, register at: <https://cossprereg.btc.com/prereg/key.process?key=PT6DXUDUK>

Once you register, you will be provided with dial-in numbers and pass codes needed to join the conference call. A recording of the earnings call will be posted to the Company's Web site after the call and will be available for 45 days.

Hawker Beechcraft Corporation is a world-leading manufacturer of business, special-mission and trainer aircraft – designing, marketing and supporting aviation products and services for businesses, governments and individuals worldwide. The Company's headquarters and major facilities are located in Wichita, Kan., with operations in Salina, Kan.; Little Rock, Ark.; Chester, England, U.K.; and Chihuahua, Mexico. The Company leads the industry with the largest number of factory-owned service centers and a global network of more than 100 factory-owned and authorized service centers. For more information, visit www.hawkerbeechcraft.com.

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