



BBA AVIATION PROPOSES TO BUY LANDMARK AVIATION FOR \$2.07 BILLION

News / Business aviation



British aircraft services company **BBA Aviation Plc** said it proposed to buy U.S. competitor **Landmark Aviation for \$2.065 billion**, a deal that would make the combined entity the biggest fixed-base operator in the world.

The proposed deal would merge BBA Aviation's Signature Flight Support business, which has the highest number of fixed base operations (FBO) in the United States, with Landmark's, which has the third highest, in a market that continues to remain highly fragmented.

"This is the right time to buy this asset, it's the right price and we know the business very well," Chief Executive Simon Pryce said in a media call, terming the acquisition sizeable and relatively low risk.

Landmark Aviation, which is owned by private equity firm Carlyle Group LP, has been exploring a sale as the corporate jet market is slowly recovering from a downturn sparked by the global financial crisis, helping valuations for companies offering services in the industry.

"We remain concerned about the outlook for the business aviation market, and BBA is significantly increasing its exposure to it with this deal," Liberum analysts said in a note.

Pryce, however, shrugged away concerns over tardy growth and said the slow and steady recovery after a few relatively flat years, coupled with a long-term outlook for accelerated growth, looked exciting.

Shares in the company fell to a more than two-year low, ranking among the top percentage losers on the FTSE-250 Midcap Index on Wednesday.

THE DEAL

BBA Aviation said it expected the acquisition to add to its earnings in 2017 and the return on invested capital to exceed the weighted average cost of capital in 2018.

The acquisition will be funded via new debt facilities and a fully underwritten rights issue of 562,281,811 shares at an issue price of 133 pence per share, raising about 748 million pounds (\$1.15 billion), the company said.

J.P. Morgan Cazenove, Jefferies International Ltd, Barclays Bank Plc and HSBC Bank Plc are the underwriters for the rights issue.

BBA Aviation expects to save \$35 million annually in costs by 2017 and sees tax benefits of \$240 million.

Reuters reported exclusively on Tuesday that BBA Aviation was in talks to acquire Landmark.

A peer of Landmark Aviation, Scottsdale, Arizona-based aircraft maintenance services company StandardAero, was sold by Dubai Aerospace Enterprise Ltd to buyout firm Veritas Capital Fund Management LLC in July for \$2.1 billion.

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SOURCE: REUTERS

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