

# A conversation with Hawker Beechcraft's new owners

How did they decide to buy the company, where will HBC be in five years and more



Nigel Wright



Sanjeev Mehra

Onex Partners and GS Capital Partners, an affiliate of Goldman Sachs, are two of the most highly respected investment firms in the world. But who are the people behind this new chapter in the history of what will now be known as Hawker Beechcraft Corporation (HBC)?

To provide readers a look at the company's new owners, we talked with the management team who have led the acquisition of HBC – Nigel Wright and Sanjeev Mehra.

Nigel, a Canadian who currently lives in Toronto, is a managing director of Onex Partners. A graduate of Harvard Law School, he practiced law for seven years before joining Onex in 1997. In 2005, Nigel helped lead Onex' acquisition of Boeing's commercial airplane manufacturing operations, now operating as Spirit AeroSystems, Inc.

Sanjeev is a managing director in the Principal Investment Area of Goldman Sachs & Co., one of the oldest and largest investment banking firms in the world. Sanjeev, who holds a master's in business administration from Harvard Business School, joined the company in 1986 and became a managing director in 1996.

Based in New York City, he currently serves on numerous corporate boards, including the executive committee for Burger King Corporation, Nalco Holdings Inc., ARAMARK Corporation, SunGard Data Systems Inc., Madison River Telephone Company Inc., Adam Aircraft Industries and KAR Holdings Inc.

In his 18 years as a private equity investor, Sanjeev has been involved in a number of general aviation and aerospace investments on behalf of Goldman Sachs, including Executive Jet Aviation (NetJets®), Hexcel Corporation and Adam Aircraft Industries Inc.

## Who will run HBC?

A board of directors will be the decision-making body on strategic matters and big capital allocation matters, while the senior leadership team will run the business on a day-to-day basis.

The board will include representatives from Onex and Goldman Sachs, as well as independent directors who provide a broader perspective and expertise. Jim Schuster, who remains as CEO, will be a board member.

**HBN:** Tell me about your first encounter with the Hawker or Beechcraft brand.

**Nigel:** My dad was a recreational pilot who spent his weekends at the airfield. I remember being with him as a 6-year-old, and there was a Beechcraft Baron based there. He always said it was a great airplane to fly.

**Sanjeev:** My first encounter with the Hawker brand occurred when I served on the board of NetJets. In addition, Goldman Sachs was a NetJets customer, so I was familiar with the Hawker 1000 and Hawker 800 – great airplanes and great for NetJets. Before that, I had flown in the Beechcraft King Air numerous times and was very impressed.

**HBN:** Let's talk about business strengths. Nigel, what does HBC have going for it?

**Nigel:** As investors, we are very attracted by not just the breadth of the product line but how strong each product is. For example, the King Air has an incredible reputation in the industry. Also, the Hawker 4000 will be a complete commercial success as well as a technical success. We like the fact that the product line provides a ladder for customers to move up. The military T-6 trainer gives the business stability, which provides good balance as the tide of the general aviation market ebbs and flows.

**HBN:** Sanjeev, what made this an ideal company in which to invest?

**Sanjeev:** We see a company with great brands, great products, great management and a market that is fertile for growth both domestically and internationally, particularly in the emerging markets of India and Asia.

**HBN:** How do these strengths – coupled with new ownership – translate into even better performance in the marketplace?

**Sanjeev:** In one sense, nothing is going to change with new ownership. In another sense, a lot may change. We are now no longer part of a big enterprise. This means we can all be focused on improving the general aviation business and trainer business and not be distracted by any other objectives.

**Nigel:** This company has been termed "non-core" for the past few years. Now

every employee and customer knows that it is absolutely core to the business. It is not on the periphery of anybody else's business. I think that is tremendously energizing and a comforting fact for the employees.

Onex Partners and GS Capital Partners have a lot of capital and are prepared to invest in the business. We have experience with sales and marketing strategies and have good relationships in the industry that we are prepared to bring to bear.

**HBN:** What do you want employees to know about you?

**Nigel:** We are enthusiastic for the industry, and we have a successful record of working with companies to build and grow them. People have a view of private equity that they show up and chop things out and sell off pieces. Goldman Sachs and Onex are not choppers; we build businesses into global leaders. We are patient, helpful investors who are in it for the long haul. We partner with management and employees to be the best we can be.

**Sanjeev:** While it is a big company, the metrics that drive future growth are very simple. We are all about value creation and performance. Our philosophy is to agree to a business plan, which we have done, to align incentives and let management run the business with oversight of the board. We're not going to be second-guessing or making day-to-day decisions that are really management's prerogative. But we will be helping them with strategy, capital structure and our network of contacts so we can help grow the business.

**HBN:** What should customers know about the new ownership?

**Nigel:** One of the reasons we've invested in this company is because we salute the progress that has been made in dramatically improving customer service over the last five years. Our commitment is not to cut corners on things like quality and reliability. We want to continue to push further until Hawker Beechcraft is unambiguously seen as an industry leader in customer support and service. That is the magic ingredient that sells airplanes over time, and we want to ensure we get better and better at it.

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## 2006 AIRCRAFT DELIVERIES

[ TOTAL: 462 AIRCRAFT ]

### TURBOPROPS

Beechcraft King Air 350	43
Beechcraft King Air B200	35
Beechcraft King Air C90GT	51

### JETS

Hawker 850	48
Hawker 800XP	15
Hawker 400XP	53
Beechcraft Premier IA	23

### PISTONS

Beechcraft Baron G58	38
Beechcraft Bonanza G36	80

### GOVERNMENT

Beechcraft T-6A	62
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### SPECIAL MISSIONS

Hawker 850XP	1
Beechcraft King Air 350	5
Beechcraft King Air 200	7
Beechcraft King Air C90	1

**“We see a company with great brands, great products, great management and a market that is fertile for growth.”**

– Sanjeev Mehra, Goldman Sachs



### Company name changes

**NOW:** Hawker Beechcraft Corporation

**WAS:** Raytheon Aircraft Company

**NOW:** Hawker Beechcraft Services, Inc.

**WAS:** Raytheon Aircraft Services, Inc. and Hawker Aircraft Services, Inc.

**NOW:** Hawker Beechcraft Limited

**WAS:** Raytheon Aircraft Services Limited (Chester, U.K., facility)

**NOW:** Hawker Beechcraft Charter & Management, Inc.

**WAS:** Raytheon Aircraft Charter & Management, Inc.

**NOW:** Rapid Parts Inventory and Distribution Company, LLC

**WAS:** Raytheon Aircraft Parts Inventory and Distribution Company, LLC



PERFORMANCE HAS A NEW NAME.



**RAYTHEON AIRCRAFT COMPANY IS CHANGING ITS NAME TO HAWKER BEECHCRAFT CORPORATION.**  
 For the first time in a quarter of a century, we will operate as an independent company, solely focused on general aviation, special-mission and trainer aircraft. We will continue to deliver the finest quality aircraft, services and support in the industry. Our people will continue to deliver innovation after innovation. And our company will continue to honor the legacy, heritage and proud accomplishments of the legendary brands that make up our name — our new name: Hawker Beechcraft Corporation. To learn more, visit [www.hawkerbeechcraft.com](http://www.hawkerbeechcraft.com), or join our growing team at [www.mhbjobs.com](http://www.mhbjobs.com).



**HBN:** Prior to the agreement to purchase Raytheon Aircraft Company, did you talk to customers to get a flavor of how they felt about the brand and the company?

**Nigel:** Their responses are one of the principal reasons we made the investment. The enthusiasm customers had for the products was very affirming. There is a strong respect for the product line and recognition that the company has made progress in aftermarket service and support.

**Sanjeev:** When we talked to flight departments, dealers and industry experts, the feedback consistently was that there was no peer to Hawker or Beechcraft.

They are products that stand for safety and value.

**HBN:** Historically, the domestic market has been handcuffed to the U.S. economy. With the growth of the international market, do you see that bringing more stability to the business overall?

**Sanjeev:** It should, but we've never been through a cycle where the international sales have made up such a large percentage of the backlog. Growth has traditionally been in the United States, but now for the first time we are seeing tremendous growth in both Europe and Asia. This is driven partly by the wealth effect. However, for businesses to compete and make decisions in the global marketplace, they need efficient, reliable transportation.

Over time we continue to expect to see growth across the spectrum of the marketplace with the international market growing at least two times faster than the domestic market.

**“We salute the progress that has been made in dramatically improving customer service over the last five years.”**

— Nigel Wright, Onex Partners



**HBN:** Looking forward, where would you like to see the company in three to five years?

**Nigel:** We'd like to see the Hawker 4000 become the super-midsize market leader. Over time there is an aggressive plan to continue to develop derivative products from existing aircraft platforms. We also want to continue focusing on productivity, cost improvement measures and to make sure that the company is operating as efficiently and profitably as it can.

At Onex, we have seen the power of Lean Manufacturing to help businesses not just survive in the global marketplace — but thrive. One of the things we must do is price our products in a way that makes them attractive in the marketplace. To do that, we have to build them at a cost level that allows us

to compete effectively. Lean is one of the tools that Hawker Beechcraft is tapping and it has a lot more potential. (See related articles on Page 10.)

**Sanjeev:** I see us being an independently managed business that has successfully navigated the transition to new ownership. Most importantly, I'd like us viewed as a leader in the general aviation market with a customer service and a parts business that are profitable businesses in their own right. Likewise, with the T-6 trainer business, I'd like to see us grow that into a business that is two times as big as it is today. ●



**Company's upgrades enhance customer experience, employee efficiency**

Today's top downhill speed skiers regularly clock times more than 30 percent faster than competitive skiers a generation ago. Technological advancements in equipment, better training techniques and the use of tools such as wind tunnels all help these athletes push the envelope of ultimate human achievement.

Like elite athletes, the world's top companies are constantly looking for that edge that allows them to rise above the competition and win in the marketplace. Hawker Beechcraft Corporation (HBC) is positioning itself for success by investing in key areas of the business that will not only give it a competitive advantage, but help the company achieve winning results.

**Extreme makeover: Delivery Center edition**

One of the most important events in a customer's ownership experience is the delivery of their new aircraft at the factory. HBC has started a \$900,000 remodel of its Wichita Aircraft Delivery Center, creating elegant, well-appointed meeting areas and building a dramatic observation balcony overlooking the floor of the delivery hangar.

The renovated facility will also have tools to help customers better visualize their future aircraft during specification sessions. A private customer selection center will allow customers to choose soft goods, cabinetry and other details for their aircraft.

**High-tech enhancements**

HBC also is investing in advanced tools that will allow Product Development and Engineering (PD&E) team members to work more efficiently and enhance the quality of their work.

The company is installing a software solution set that includes Enovia LVA, Catia V5 and Delmia products. This advanced software is an integrated product and process engineering platform that allows PD&E to manage all phases of product development — from design to manufacturing to maintenance. This platform is being used by Boeing and its partners in the design and manufacture of the Boeing 787 Dreamliner aircraft.

"This new software suite will lead to a leaner, more efficient business model for the PD&E organization," said Scott Yeakley, manager of Engineering Administrative Services.

PD&E is also investing in three-dimensional laser scanning equipment to enable engineers to capture the 3-D shape of objects with complex geometries. This will allow for reverse engineering of intricate parts, creation of digital mock-up and simulation, as well as offer inspection and measurement of parts.

Lastly, PD&E is upgrading its computing power with a parallel processing computer and new high-end HP xw8400 workstations. The parallel computer provides advanced aerodynamic simulation capabilities using Computational Fluid Dynamics (CFD). This computer will reduce the time it takes to perform CFD analysis by a factor of 15 or more.

The powerful new workstations are 64-bit systems that will mean engineers can access very large models and perform other tasks, such as interference checking and digital mock-ups.

"Our team is really looking forward to having the latest tools that will allow faster, more precise engineering designs and a seamless hand-off to production," Scott said.

"In the end, these investments will help us to bring products to market quicker and more cost effectively." ●



**Vice President, Global Commercial Sales Don Dwyer shakes hands upon delivery of a Beechcraft King Air 350 to Mark and Mike Forst, Harley-Davidson dealership owners. Employees who own Harley-Davidsons parked their motorcycles in the Delivery Bay, which is currently being renovated as part of a \$900,000 makeover of the Aircraft Delivery Center.**