

Precision, TransDigm Said to Bid in \$1 Billion McKechnie Aerospace Sale

September 24, 2010

By Zachary R. Mider, Jeffrey McCracken and Susanna Ray

Precision Castparts Corp. and TransDigm Group Inc. are bidding for rival aircraft component maker McKechnie Aerospace, which may fetch more than \$1 billion, said people with knowledge of the discussions.

Carlyle Group, the Washington-based buyout firm, also submitted an offer this week for closely held McKechnie, owned by New York-based private-equity firm JLL Partners Inc. and by Morgan Stanley's buyout unit, said the people, who spoke on the condition of anonymity because the talks are private. McKechnie's owners may agree to a sale as soon as next week, the people said.

McKechnie makes fasteners, latches and valves for aircraft, including those built by Boeing Co. and Airbus SAS. The world's two biggest planemakers are boosting output to records starting next year as airlines recover from the recession and seek newer, more fuel-efficient jets to refresh and expand their fleets. They're also trying to cut costs and streamline partnerships with vendors as they develop new models.

"There's substantial pent-up demand for continued consolidation among commercial-aviation parts makers," said William Alderman of Alderman & Co. Capital LLC in Ridgefield, Connecticut, a broker specializing in the aerospace industry. "The trend and the need for this rationalization did not change during the recession; it was simply delayed."

Shares Advance

Precision Castparts rose \$4.64, or 3.7 percent, to \$131.38 at 4:15 p.m. in New York Stock Exchange composite trading. TransDigm gained \$1.13, or 1.9 percent, to \$62.24.

Dwight Weber, a spokesman for Precision Castparts, and Chris Ullman, of Carlyle, declined to comment. A spokesman for TransDigm didn't return messages. Brett Milgrim, a managing director at JLL, didn't return a call seeking comment. Erica Platt, a Morgan Stanley spokeswoman, declined to comment. Executives from Irvine, California-based McKechnie weren't available to comment.

With revenue of \$5.5 billion last fiscal year, Portland, Oregon-based Precision Castparts makes components for jet engines, power turbines and prosthetics for customers including General Electric Co. and United Technologies Corp. Cleveland-based TransDigm, which makes parts for jets including flight-control and lavatory hardware, was once owned by private-equity firm Warburg Pincus and had sales of \$762 million last year.

Precision Castparts Chief Executive Officer Mark Donegan said in January that he was seeking further acquisitions in the power and fasteners industries after recently buying stakes in plants in China and California.

JLL and Morgan Stanley have been seeking bids for McKechnie for several months. They bought the company in 2007 for \$850 million from Melrose Plc, the London-based component maker. Before that, it was owned by Cinven Ltd., the U.K. private-equity firm.