



49 Seneca Trail, Suite One  
Sparta, New Jersey 07871  
973.729.6914  
fax: 6915  
info@brifo.com

**NEWS FOR IMMEDIATE RELEASE: March 9, 2011**

## **On China's Recent General-Aviation Buying Spree**

For almost a year now, China has been snapping up US general-aviation companies. Should this be a cause for worry? Is it even harmful to our industry? Is it economically subversive? Or mere coincidence? Brian Foley of the BRiFO aviation consultancy contends the answer is none of the above; that China's actions represent an expected or at least expectable development.

This apparent wave of acquisitions started innocuously in April, 2010 with the \$4.3 million purchase of Epic Air, a small (and bankrupt) general-aviation airplane company by China Aviation Industry General Aircraft (CAIGA or AVIC). Eight months later, in December, an AVIC subsidiary said it would buy small-aircraft piston engine maker Teledyne Continental Motors for \$186 million. And just last month, CAIGA announced its agreement to buy all of Cirrus Industries Inc., a much admired but cash-strapped producer of light aircraft using the Teledyne engines, for an undisclosed price.

"What we're seeing is a two-pronged strategy," Foley explained. "First, the Chinese government is developing civil aviation as a national priority. Second, these are deals that make good economic and business sense. China is fortunate to have abundant cash from massive exports at precisely the time when general aviation is at the bottom of its market cycle, making it a logical buy. Moreover, China has leveraged its investment by shrewdly targeting companies with low 12-month trailing revenue streams which make them even more of a bargain."

"In buying up established companies, China gets the management know-how, brand, distribution and technology in days -- not decades. And it is not just a general aviation phenomenon -- think Lenovo, China's leading PC manufacturer, buying IBM's PC division. It's also a good solution for investees like Cirrus, for example, who struggled even to pay the rent."

As for future acquisitions, China is trying to complete the purchase of bankrupt corporate jet maker Emivest Aerospace for a reported \$19 million (Emivest produced a small business jet called the SJ30, a 1980's design with only a handful in worldwide operation). While Emivest is not an 'established' company in the sense of Teledyne or Cirrus, Foley finds this deal quite sensible for another reason. "If China pursued the larger, stabler or more diverse aerospace manufacturers it would invariably run into regulatory headaches because most of those companies have military programs." Foley believes jet engines and helicopters are other likely aspirations, "but only at the right price."

Foley points out that none of China's acquisitions thus far have been particularly sizable in the overall scheme of things, nor do they have a large footprint in the overall US aerospace business. Cirrus, for example, is regarded as a stellar product family but accounted for just \$148 million of the total \$19.7 billion in general-aviation fixed-wing airplane deliveries for 2010, which is less than one percent. Certainly any of the aviation companies recently bid on by China could have been had at a reasonable cost to any investor with the inclination and money. But it seems there were no other serious bidders.

"Perhaps the West is risk-averse on general aviation because of previous bets that didn't work out well," Foley noted. "That's certainly understandable, but it's playing now to patient China's benefit."

#### **About Brian Foley Associates (BRiFO)**

Brian Foley Associates are recognized thought leaders and management advisors to the general aviation industry. Primary practice areas include industry analysis and forecasting, market research, strategic planning, new product evaluation and transaction support. It was formed in 2006 by industry veteran Brian Foley, a former executive at a major business jet manufacturer for over 20 years. Mr. Foley is also a licensed securities representative who, through an affiliated company, helps find buyers and growth capital for general aviation companies. For more information visit [www.BRiFO.com](http://www.BRiFO.com) or follow [@BrianFoleyAssoc](https://twitter.com/BrianFoleyAssoc) on Twitter.