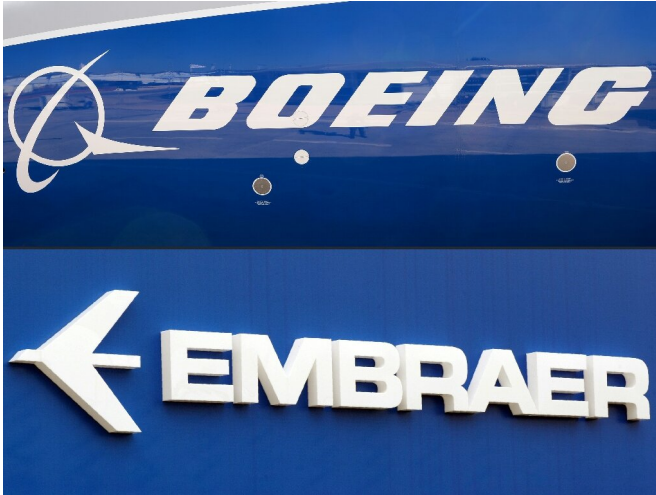


Boeing scraps \$4.2bln deal to buy Embraer commercial division

25 April 2020, by Juliette Michel



This combination of file pictures created on December 21, 2017 shows the Boeing logo on the fuselage of a Boeing 787-10 Dreamliner at Le Bourget Airport on June 18, 2017, and the logo of Brazil's Embraer at Le Bourget Airport, on June 23, 2013

Boeing announced Saturday it was pulling out of a \$4.2 billion deal to acquire the commercial plane division of its Brazilian rival Embraer, the latest in a string of setbacks for the troubled US aviation giant.

The companies had planned to form a joint venture in which Boeing would take an 80 percent stake in that division. The deal had been due to be finalized no later than Friday.

But Boeing said Saturday it was exercising its right to pull out of a preliminary deal reached in July 2018. It said in a statement, "Embraer did not satisfy the necessary conditions."

"Boeing has worked diligently over more than two years to finalize its transaction with Embraer," said Marc Allen, the Boeing executive who led the joint

venture plan.

He said that over the past several months the companies held extensive talks on what he termed unsatisfied conditions in the initial accord.

"We all aimed to resolve those by the initial termination date, but it didn't happen," Allen said, without explaining what the unresolved issues were.

The companies could have kept talking but decided not to.

Embraer reacted angrily, accusing Boeing of terminating the deal wrongfully.

"We believe Boeing has engaged in a systematic pattern of delay and repeated violations of the (deal), because of its unwillingness to complete the transaction in light of its own financial condition and 737 MAX and other business and reputational problems," said Embraer in a statement.

The company said it plans to sue for damages. Bloomberg reported Boeing might have to pay up to \$100 million for pulling out of the deal.

Boeing is going through exceptionally hard times, between the grounding of its 737 MAX planes for more than a year after two crashes left 346 people dead and the coronavirus pandemic that has severely reduced air travel around the world.

The deal was meant to be a counterweight to industry leader Airbus's buyout of the commercial aviation business of Canadian planemaker Bombardier.

Regulatory hurdles

The deal had cleared all regulatory hurdles but was awaiting a green light from the European Commission.

The two companies will continue with a deal signed in 2012 to jointly market and support Embraer's C-390 military transport plane, Boeing said.

Embraer is the world's third biggest planemaker after Airbus and Boeing.

EU regulators launched a probe of the proposed tie-up over fears Boeing would effectively absorb Embraer and make an already highly concentrated industry even less competitive.

Although Boeing did not state the reasons behind its announcement Saturday, it comes at a particularly hard time for the aircraft manufacturer.

Air travel has been decimated by the pandemic, and airlines are canceling or postponing orders for planes.

Boeing has also had to suspend work at its US plants as part of social distancing measures to curb the spread of the coronavirus. It started reopening them gradually this week.

And it is not clear when the 737 MAX planes will get the green light to start flying again.

Boeing stock is down 61 percent for the year.

The company recently asked the federal government for \$60 billion in aid for itself and its 17,000 US subcontractors.

Embraer is also struggling. In late March it reported big losses in the final quarter of 2019. Since January its share value has dropped nearly 60 percent on the Sao Paulo exchange.

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