ROLLS-ROYCE TO BUY REMAINDER OF ENGINE COMPONENTS BUSINESS

News / Finance

Rolls-Royce Holdings Plc said it has agreed to buy the stake it doesn't already own in Industria de Turbo Propulsores SA for 720 million euros ($795 million) to strengthen its position in the service market for its largest engines that power Airbus and Boeing jets.

The U.K. manufacturer is buying the remaining 53.1 percent from Sener Grupo de Ingeniería SA, which exercised a put option, it said in a statement on Monday. ITP is based in Bilbao, Spain, and employs more than 3,000 people, who work with Rolls-Royce on its Trent engines, in particular low-pressure turbines, according to the companies. The company had revenue of 710 million euros last year.

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“This investment will add to our aerospace capability, with excellent facilities, services and products, to generate additional opportunities for profitable growth,” Rolls-Royce Chief Executive Officer Warren East said in the statement.

East has been leading a restructuring of the company’s maintenance and repair division, which produces the bulk of profit for the engine maker. East has eased restrictions on contracts to help lure customers to its wide-body turbines, allowing airlines more flexibility in overhauling their own engines and using second-hand parts from older aircraft.

Rolls-Royce declined as much as 9 pence, or 1.2 percent, to 726 pence in London. The stock has gained 26 percent this year, while the FTSE 100 Index has gained 6.3 percent.

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