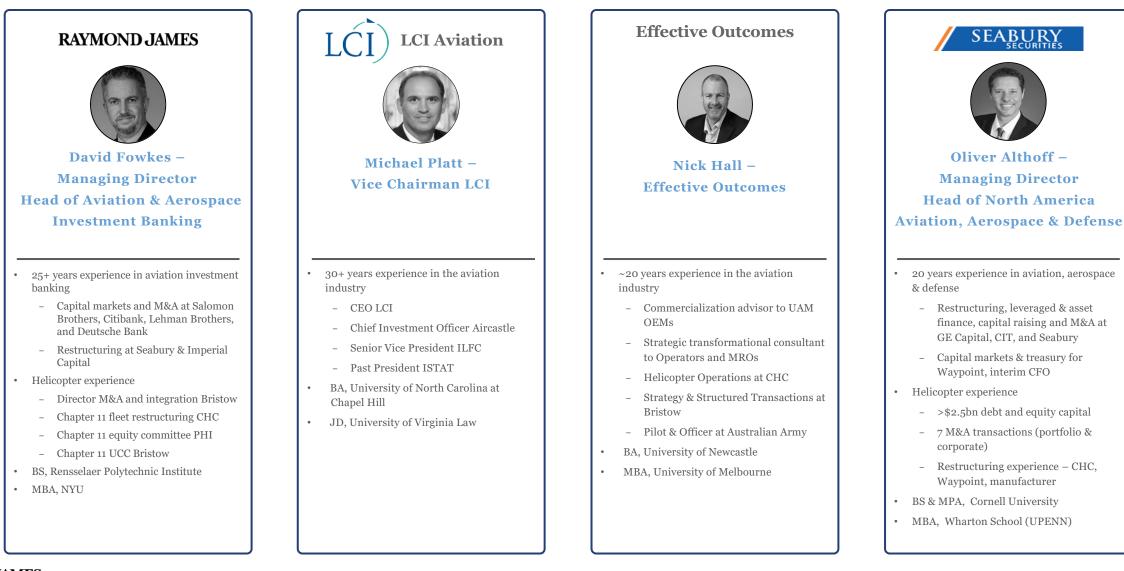
Helicopter Industry Recovery London, UK | April 2022 AW139

The Moderator and Panelists



Industry Crash Post-Mortem

Pre – Crisis Status Quo

- O&G competitive barriers to access market
 - Access to capital & slots
 - Centralized global business model
- O&G operators levered up balance sheets
 - Oil "had to stay above \$100"
 - Markets were predictable
 - Operating leasing introduced ~2012
- Anticipating demand driven by rosy price projections
 - OEMs invested billions of dollars to develop new helicopters
 - Aggressively marketed to operators and lessors
 - O&G operators ordered aircraft anticipating needs
 - Growth and replacement
 - Lessors also ordered and offered financing in volume
 - Fleet count and order book surged
- Collapse focused almost exclusively on O&G
 - Other markets marginally impacted
 - Severity of consequences magnified due to outsized fleet, growth and concentration of O&G
 - 55% of B to B helicopter market (>70% value to lessors)

What Drove Crisis Depth?

- Inherently inefficiency operations
 - Helicopter use not optimized
 - To cut costs, O&G customers adjusted schedules
 - Fly individual aircraft more
 - Longer crew rotations = fewer crew changes
 - Fewer aircraft to service the same rig(s)
- O&G contract cancellation for convenience clauses
 - Rarely invoked pre-meltdown
 - Exercised to return helicopters and renegotiate
 - Operators had no ability to shed aircraft
- Negotiating power imbalance fueled drive to the bottom for pricing
 - High fixed cost for leased aircraft
 - Operators no longer controlled supply
 - Difficult to maintain pricing
 - Lessors supply idle aircraft to any credible operator
 - Local, regional or international
- Operator restructurings (in and out of court 2016-2019) overwhelmed lessors and lenders

Compounding Issues

Capital Restructuring vs Industry Restructuring

- Reset balance sheets and aircraft values
 - Lower aircraft values make earning acceptable return on capital easier but leads to willingness to further erode pricing
- Access to and cost of capital shifted
 - Ability to finance additional or new aircraft?
 - Bank financing capacity thwarted by multiple chapter 11s, helicopter returns, lease renegotiations
 - Compounded by current fixed wing crisis?
- Limited operational restructuring

Supply/ Demand Dynamics

- Low to no production of O&G civil helicopters for years
- Part outs to remove older units
- New & improved versions of existing types (weight upgrade)
 - Practical to convert in a hot market?
- Transition to other uses
 - Takes capital and time to move and reconfigure
 - Fueled by aircraft valuation and age
 - 225s to defense, firefighting and utility, U60s

Consolidation

- Leasing companies
- Operators in specific regions
 - GOM, North Sea, Australia, Brazil
 - Regional vs centralized businesses?
- Anti-competitive regulatory concerns?
- New capital (funds) entering the operator space

Continued Customer Demand for New Aircraft?

- Technical capabilities
- Safety, efficiency
- Is this happening in reality?
 - New commercial helicopter deliveries?
 - How will AW609, Bell 525 and H160 fit in?
 - OEM focus on Military

Looking Ahead

Costs and Price

- O&G legacy aircraft values on the rebound. Long-term trend?
- O&G clients have a strong incentive to have and support low-cost service providers in each major region
- Focus on price means focus on cost
 - Standardization, streamlining and automating where possible
 - High overhead costs eliminate competitiveness

New (and Old) Business Models

- Not fundamentally changed through restructurings or new technology
- Strong centralization vs regional LCC model?
 - Utilizing lower cost local services and labor
 - Minimizing corporate expense and charges
- Augmenting current business models
 - Supplementary services?
 - Shared assets and services (client consortium)

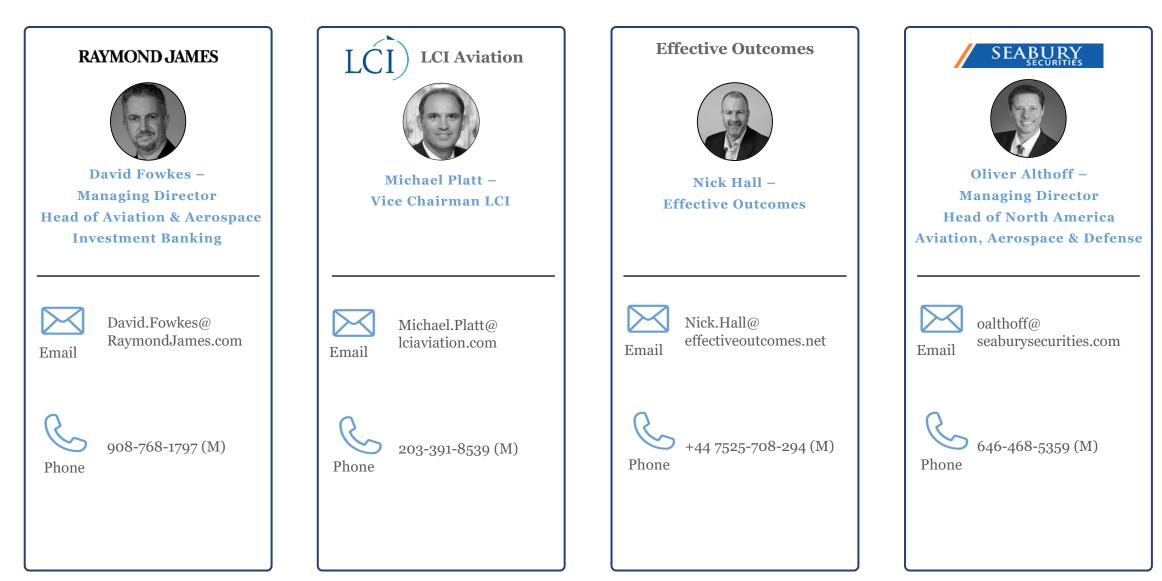
New Aircraft

- Who is willing to pay for new O&G helicopter?
 - Contract structure
- Who is willing to finance new O&G helicopters?

New Opportunities

- ESG (Environmental, Social and Governance)
 - Electrification and SAF (Sustainable Aviation Fuel)
 - Who besides banks make financing decisions based on ESG?
- New technologies to supplement or substitute helicopters
 - eVTOL (UAM, cargo, emergency)
 - Commercial drones

Contact Information





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