Helicopter Industry Recovery

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The Moderator and Panelists

**RAYMOND JAMES**

**David Fowkes** – Managing Director  
Head of Aviation & Aerospace Investment Banking

- 25+ years experience in aviation investment banking  
  - Capital markets and M&A at Salomon Brothers, CitiBank, Lehman Brothers, and Deutsche Bank  
  - Restructuring at Seabury & Imperial Capital  
  - Helicopter experience  
  - Director M&A and integration Bristow  
  - Chapter 11 fleet restructuring CHC  
  - Chapter 11 equity committee PHI  
  - Chapter 11 UCC Bristow  
- BS, Rensselaer Polytechnic Institute  
- MBA, NYU

**Michael Platt** – Vice Chairman LCI

- 30+ years experience in the aviation industry  
  - CEO LCI  
  - Chief Investment Officer Aircastle  
  - Senior Vice President ILFC  
  - Past President ISTAT  
- BA, University of North Carolina at Chapel Hill  
- JD, University of Virginia Law

**Effective Outcomes**

**Nick Hall** – Effective Outcomes

- ~20 years experience in the aviation industry  
  - Commercialization advisor to UAM OEMs  
  - Strategic transformational consultant to Operators and MROs  
  - Helicopter Operations at CHC  
  - Strategy & Structured Transactions at Bristow  
  - Pilot & Officer at Australian Army  
- BA, University of Newcastle  
- MBA, University of Melbourne

**SEABURY SECURITIES**

**Oliver Althoff** – Managing Director  
Head of North America Aviation, Aerospace & Defense

- 20 years experience in aviation, aerospace & defense  
  - Restructuring, leveraged & asset finance, capital raising and M&A at GE Capital, CIT, and Seabury  
  - Capital markets & treasury for Waypoint, interim CFO  
  - Helicopter experience  
  - >$2.5bn debt and equity capital  
  - 7 M&A transactions (portfolio & corporate)  
  - Restructuring experience – CHC, Waypoint, manufacturer  
- BS & MPA, Cornell University  
- MBA, Wharton School (UPENN)
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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Thank you!