



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

LCI Aviation



**Michael Platt –
Vice Chairman LCI**

- 30+ years experience in the aviation industry
 - CEO LCI
 - Chief Investment Officer Airastle
 - 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 oversized 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

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

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

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!