



## Protecting Your Assets

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## Outline



- Credit hurdles for new and existing entrants
- Should you use an advisor
- Strategies for mitigating risks and protecting your interests



# Credit Hurdles For New / Existing Operators



- Success factors
  - A viable business plan
  - Fleet plan is designed around the business plan
  - Adequate liquidity with sufficient flexibility
  - Favorable employee relations
  - Delivers solid customer service and value
  - Has sufficient access to capital
  - Cost improvement
  - Competitive dynamics
- And a general economic recovery also helps



## Should You Use An Advisor?



- Understand what is known and what is unknown
- Consider the team's expertise on the other side of the table
- Define the expertise
  - Technical
  - Financial
  - Legal



## Timing



- It is never too early to retain an advisor
- Use of an advisor at the onset of a transaction can produce the greatest value possible



# Expertise



- Find a firm with the necessary expertise
  - Has the advisor preformed in the area before
  - What are the results
  - Is the advisor a known firm
  - Exactly who will be the engagement executive
  - Ask questions – confirm issues such as conflict of interest



# Mitigating Risk



- Periodic asset management
  - Emphasis on records
  - Operating environment
- Maintenance reserves
- Agreement structure – *more than just return conditions*
  - Assumed residual value
  - Sub-leasing
  - Parts / engine pooling
  - AD Termination, cost sharing
  - Return conditions and assumptions



# Mitigating Risk Return Conditions



- Airframe
  - “C Check”
    - Thorough on-site inspection of aircraft
  - “D Check”
- Engine
  - Determining time remaining
  - Borescope
  - Engine trend monitoring / oil consumption
- Status of airworthiness directives
  - Detailed method of compliance
  - Transferability of waivers / alternate means of compliance
- Component Status
  - Life limited parts
  - Installed at re-delivery (check time/cycles)



## Mitigating Risk Return Conditions



- Component Status
  - Life limited parts
  - Installed at re-delivery (check time/cycles)
- Buy up provisions
  - Determining cost
  - Hard time requirements
- Analysis of records and review of maintenance performance
  - Language of records
  - Damage history and repair



## Mitigating Risk Return Conditions



- Other conditions
  - Return location and ferry flight
  - Test flight and ground operation
  - Pre-return marketing (inspection / flight)
  - BFE removal
    - Replacement of alternate parts
- Maintenance program bridging
- Gap analysis of physical aircraft and its records as per lease return provisions
  - Continuation of lease
  - Remedies



# Mitigating Risk



- Structure modeling – *Cash flow and payment priority*
  - Technical costs
  - Re-marking time and costs
  - Refurbishment
  - Cycle considerations
  - Value retention
  - Inflation sensitivity





# Questions

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