

Presentation

Shanghai Pro-Seminar on “HELICOPTER & WORLD EXPO’2010”

**Helicopter Operation
And Leasing Business**

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Dec., 13, 2005
Shanghai, China



Chapter One : *Helicopter Acquisition*

Acquisition of helicopters: Huge Investment

US\$1.5 million for EC120 or Bell206BIII

US\$18 million for S-92 or Super Puma

- Recruiting: **Pilots and Mechanics**
- Purchasing: **Special equipment / tools, and spare parts**
- Operating Costs: **Insurance, Fuel, Maintenance and Overhauls**
- Competitive Business: **Not easy due to Market trends, Competition, etc.**

Thus, needs the Most Competitive means of procuring helicopter;

Which to choose Cash payment, Finance lease or Operating lease?



Chapter Two : *Option for Cash Payment*

Cash payment : Lead time from Order to Delivery
12 months ~ 15 months

✦ **Progressive payments**: standard requirement

First Payment at Purchase Contract - - - - 30 % as down payment

Second Payment at Mid time - - - - 30% as additional payment

Last Payment at Delivery time - - - - 40% against delivery



Chapter Three : *Option for Finance Lease*

Finance Lease :

- ✦ Funds : provided by Bank or Leasing companies
- ✦ Repayments : as under

Principal Amount & Interest: Say US\$1.5 million at Interest rate 6 to 8% per year

Payable: over 5 year period, full payout

Monthly repayments: 3% of the Purchase Cost, Annually 36%

Aircraft Ownership: Retained by the Bank or Leasing company until the complete repayments



Chapter Four : ***Option for Operating Lease***

Operating Lease :

- ✦ Arranged by: Specialized Leasing companies
- ✦ Terms: as under

Delivery Delay: Immediate

**Monthly Lease Fees: 1.0 ~ 1.5 % of the helicopter value,
Annually 12 % ~ 18 %**

**Security Deposit: 3 to 5 monthly lease fees, Refundable at
end of the Lease**

Lease Period: Normally 3 ~ 5 years, Renewable

**Helicopter: Owned by the Lessor with option to purchase at the end
of the lease at fair market value**

Early Lease Termination: Negotiable



Chapter Five: ***Operating Lease Benefits to Operators***

Advantages

- Minimize perceived debt
- Preserve borrowing capacity
- Fleet planning flexibility
- Limited downpayment / almost 100% financing
- New aircraft product support available
- Principal financing option for weak or start up operators

Disadvantages

- No equity build-up
- Maintenance reserves
- Expensive financing option
- Rental obligation on balance sheet
- Lessor's aircraft specifications may not match operator's
- No tax shelter