VALUEx Vail 2015

Matthew Griffith, CFA
@MattGGriffith

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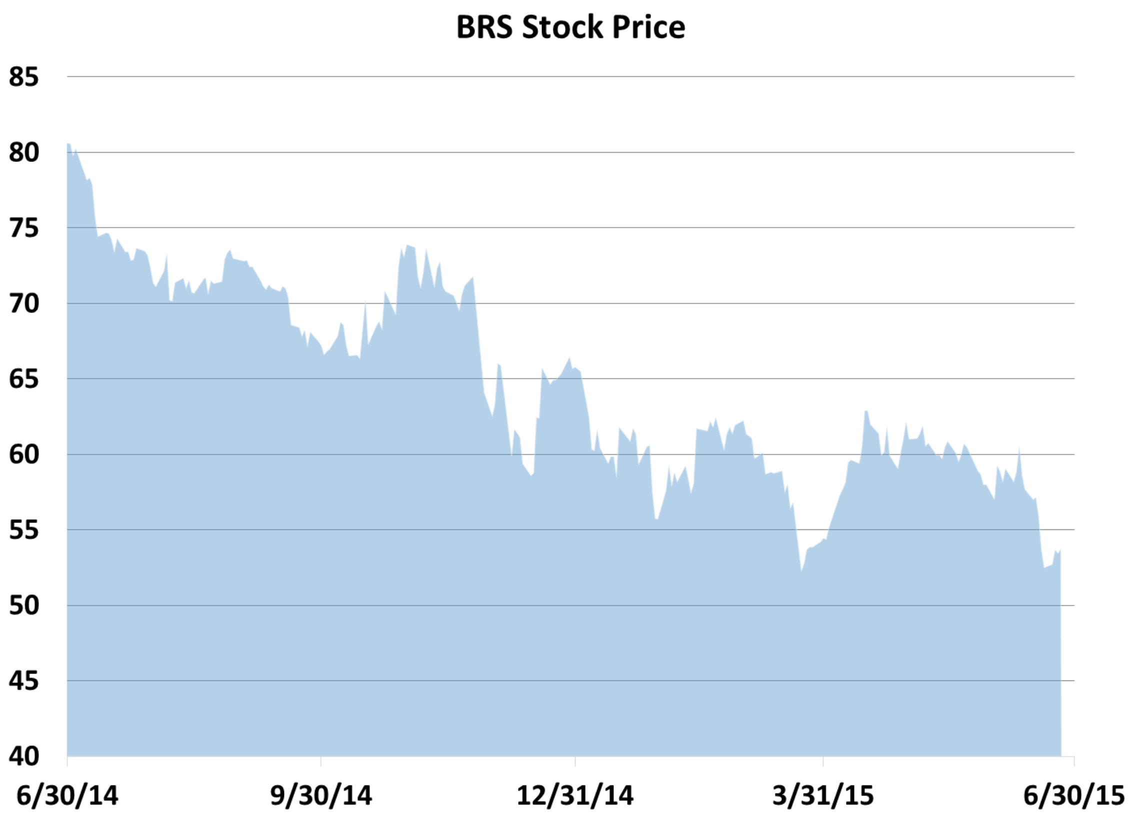
The author owns this stock as of the date presented.

Bristow Group

As of June 26th, 2015

Ticker:	BRS
Stock Price:	$54.39
Market Cap ($MM):	$1,932
EV ($MM):	$2,693
Price / Sales:	1.0x
Price / Book:	1.2x
Price / Earnings (TTM):	22.9x
Price / Earnings (est):	13.2x
FY 2015 (year end 3/31/15)	
Revenue ($MM):	$1,859
EBITDA ($MM):	$305
Cash from Operations ($MM):	$253
EPS (GAAP):	$2.37
EPS (Adjusted):	$3.77



Source: BRS company filings, Yahoo Finance

Bristow's Business

Simple Business Model

Bristow operates a fleet of owned and leased helicopters serving two end markets

Transportation to offshore oil platforms and rigs

FY15 - $1.8B (97% of total revenue)

Comprehensive search and rescue (SAR) for the UK

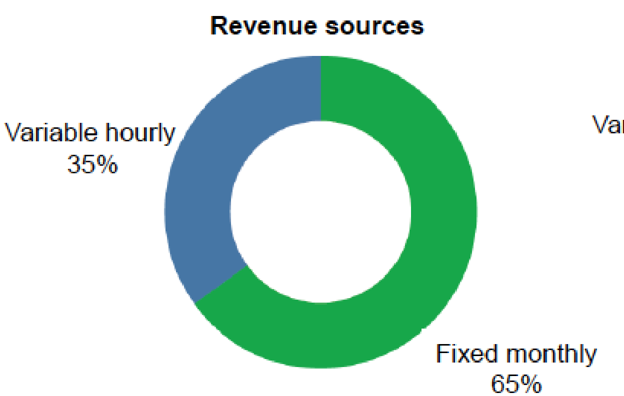
Estimated at 12% of total revenue by FY18

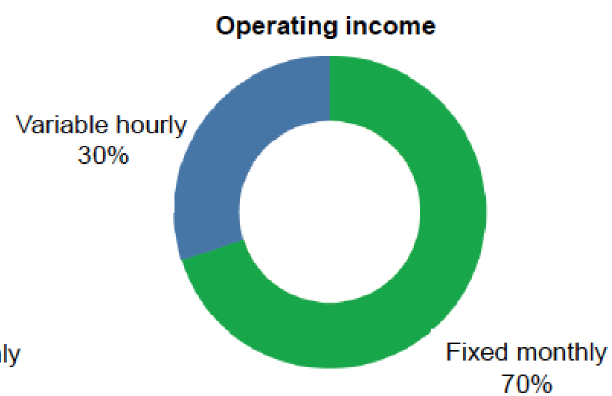
Source: BRS company filings, 2013 BRS Analyst Day Presentation

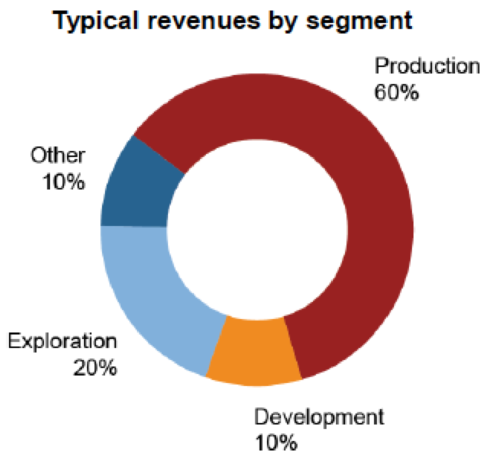
Bristow's Business

Monthly Fixed Charges and Production Focus Mute Cyclicality

- 70% of operating income comes from a fixed monthly charge and is independent of hours flown
- 60% of Bristow's revenue is driven by production rather than exploration and development
- Contracts typically last from two to five years





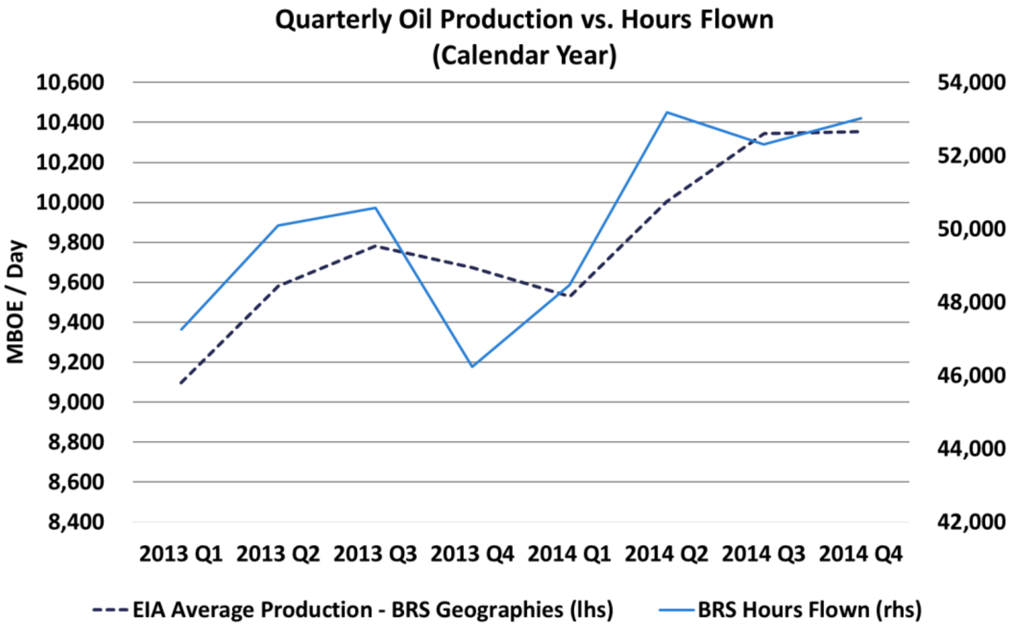


Source: BRS company filings, BRS 2015 William Blair presentation

Bristow's Business

Monthly Fixed Charges and Production Focus Mute Cyclicality

- EIA oil production statistics support the assertion that variable revenue is driven by production – over the past two years BRS' flight hours have a strong relationship to oil production in their primary geographies



Source: BRS company filings, EIA production data – Australia, Brazil, Nigeria, Norway, UK (offshore), and US Gulf of Mexico

Bristow's Business

Monthly Fixed Charges and Production Focus Mute Cyclicality

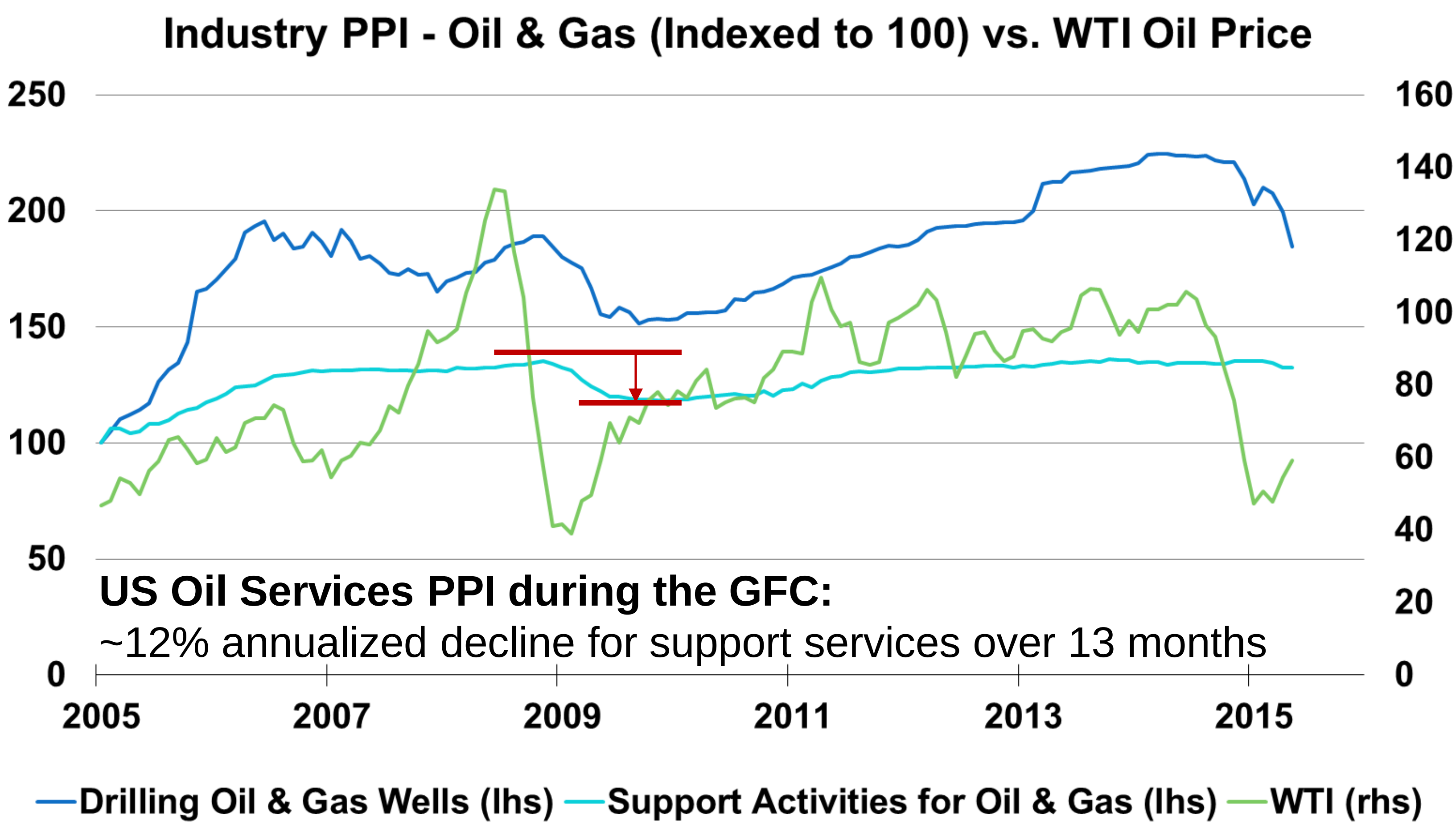
- There are ~8,000 offshore production installations versus ~800 drilling rigs
- It is unlikely companies will broadly shut-in producing wells
- Over the medium term, producing platforms will continue to require regular transportation of operations and maintenance personnel independent of the price of crude

"In the production phase, long-term crew transfer support is required. As production continues to ramp up, particularly in deepwater regions, the drivers for a larger fleet of modern helicopters strengthen." – *Offshore Engineer* (blog)

Source: BRS 2015 William Blair presentation, "Offshore helicopter market forecast, 2014-2018" *Offshore Engineer* 5/21/2014

Bristow's Business

Pricing of Oil & Gas Support Services Less Volatile Than Drilling



Source: BLS, EIA

Bristow's Business

Pricing of Oil & Gas Support Services Less Volatile Than Drilling

- Drillers –
  - SLB CQ1 Earnings Release – "…**first-quarter revenue *decreased 19% sequentially*** driven by the severe decline in North American land activity and associated pricing pressure…three-quarters of the overall sequential decline was due to lower activity and pricing…"
  - HP CQ1 Earnings Call – "As expected, the number of quarterly revenue days significantly declined, resulting in…**a 24% decline in revenue days as compared to the first fiscal quarter**…looking ahead to the third quarter of fiscal 2015, ***we expect revenue days to decrease by about 32% quarter-to-quarter…***"
- Bristow -
  - CQ1 Earnings Call – 'Now in the fourth quarter, we saw…[the] onset of contracting helicopter demand, primarily in the North Sea and in the US Gulf of Mexico. We believe this ***regional contraction will continue and translate into a 5% to 10% operating revenue decline in our oil and gas business in FY 2016***"

While declining oil prices lead to immediate volume and pricing pressure at most oil service companies, BRS expects only 5-10% declines for the entire fiscal year

- These data points appear consistent with the oil services pricing environment post-GFC

Source: BRS company filings, Seeking Alpha – BRS FY15 Q4 earnings call transcript and HP FY15 Q2 earnings call transcript, SLB Q1 2015 earnings release

Bristow's Business

Becoming Less Reliant on Energy

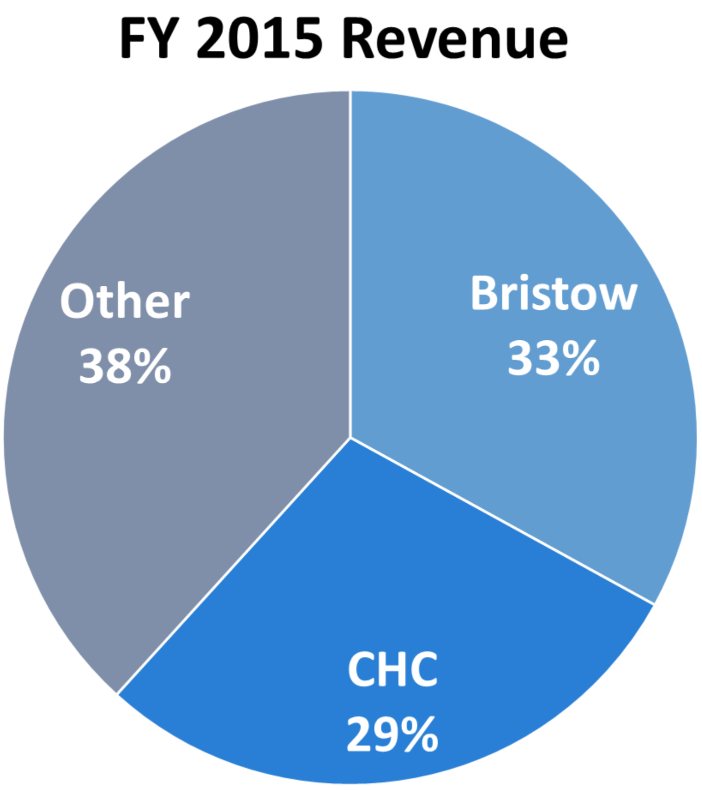
- Bristow is no longer solely reliant on the offshore oil and gas transportation end market
  - Starting in April 2015, BRS is providing comprehensive search-and-rescue services for the UK
- At full run rate, the UK contract could account for 12% of company revenue
  - Over the 10-year life of the contract, BRS estimates an incremental $2.5B of revenue and $1.1B of adjusted operating income
  - 85% of revenue from SAR is fixed monthly charges versus 65% for oil and gas due to lower flight hours and higher availability requirements
  - Adjusted margins are expected to be in the mid-40% range versus FY 2015 adjusted margins of 33% for the existing European business
- Other countries are exploring outsourced SAR arrangements similar to the UK's in order to reduce spending and improve quality of service
- Bristow has also started to explore expansion into air medical

Source: BRS company filings, BRS 2013 Analyst Day Presentation, BRS 2015 William Blair Presentation

Bristow's Competitive Advantage

Duopoly Market in Offshore Transport

- Bristow and CHC (ticker: HELI) have the majority of market share in the offshore transportation market



Some mid-sized regional players, but mostly fragmented

Source: BRS and CHC company filings, BRS 2015 William Blair Presentation

Bristow's Competitive Advantage

Consistent, Safe Operations Across Geographies

- Bristow operates in four main segments – Europe/Caspian (43% of FY 2015 revenue), Africa (19%), Americas (21%), and Asia Pacific (16%)
- Bristow's customers are the largest IOCs and NOCs in the world
  - Customer list includes Chevron, Conoco Phillips, Exxon Mobil, Shell, ENI, Statoil, and Petrobras (through an unconsolidated affiliate)
  - This does lead to customer concentration – the top ten customers account for 58% of revenue
- The majority of Bristow's large customers operate offshore across several of their geographies
- Only CHC offers comparable services to the largest E&Ps globally

Source: BRS company filings, BRS 2015 FQ4 Earnings Presentation

Bristow's Competitive Advantage

Transportation is a Low Relative Cost Item

- The cost of helicopter transportation is small relative to the total cost of operating a rig
  - Deepwater rig day rates are currently between $250-500k
  - "In most of the world…the total daily cost to drill a well…is roughly double what the rig day-rate amount is." – SLB Oilfield Glossary
  - BRS FY 2015 LACE (large aircraft equivalent) rate per day is ~$25k
    - For exploration and development work, offshore helicopter transportation is ~2.5-5% of the total well cost

Source: BRS company filings, Rigzone, SLB Oilfield Glossary

Bristow's Competitive Advantage

Need for Incident-Free Transportation → Moat

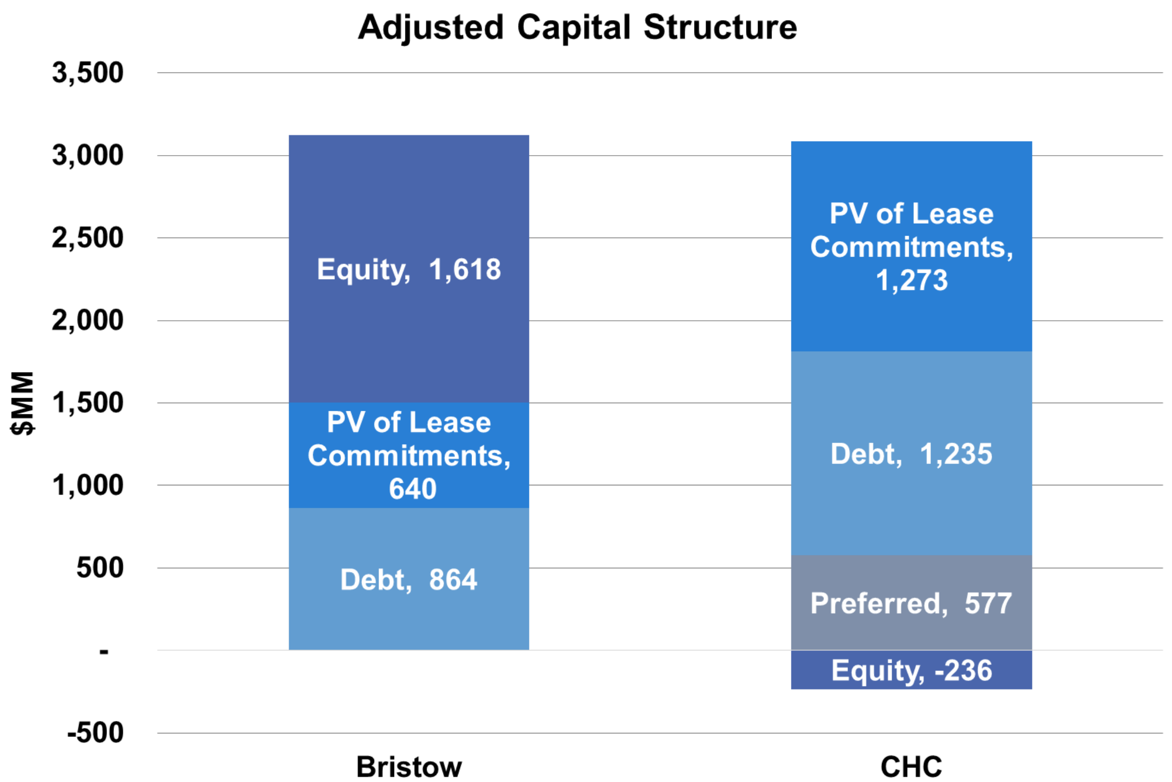
- Consistent, best-in-class operations are essential to safely transport personnel to and from platforms and rigs in harsh conditions without incident
- IOCs and NOCs bear the headline risk of incidents
  - Macondo was chiefly BP's problem, despite the fact that the rig belonged to Transocean and the services were being provided by Halliburton
- BRS' accident rate is 10x lower than average reported offshore data
  - BRS has reduced their total incident rate by 81% since the implementation of their Target Zero safety program in 2006 and their commercial operations had no air accidents during FY 2014 or 2015
- The potential downside of contracting with an unknown and/or poorly capitalized operator outweighs the benefits from choosing a provider based only on price
  - This should allow BRS to grow both share and pricing in the coming years

Source: BRS company filings, BRS 2015 William Blair presentation, "Beating the Market the Right Way.", *London Business School Review*, 2015 Issue 1

Bristow's Competitive Advantage

Financial Flexibility Creates Opportunity

- CHC was bought by private equity in 2008 and still has significant debt along with a preferred stake from a new private equity sponsor
- Bristow is well positioned to capitalize on opportunities to consolidate the 38% of the oil and gas market that remains fragmented relative to its largest competitor

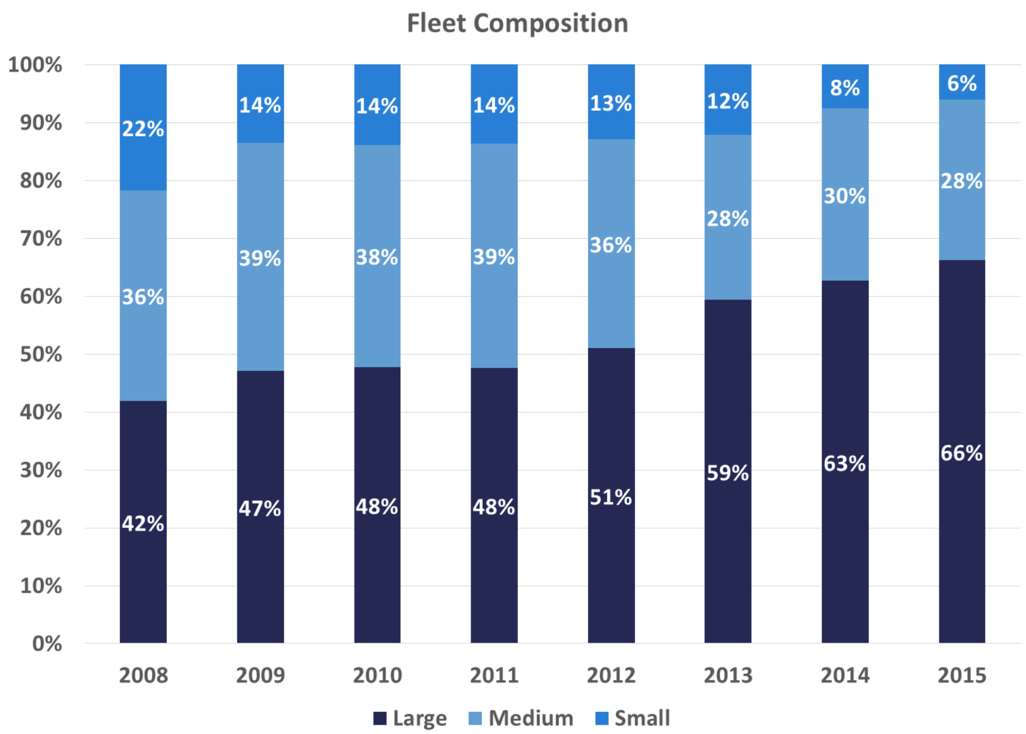


Source: BRS and HELI company filings

BRS Valuation

Fleet Composition Drives Pricing

- Since 2008, the composition of BRS' fleet has shifted toward larger aircraft
- BRS measures its fleet in large aircraft equivalent (LACE), in which medium aircraft are weighted at 50% and small aircraft at 25%
- The LACE rate is the average annual revenue per LACE per year
    - LACE x LACE rate accounts for over 80% of total revenue (excludes fixed wing operations and training)

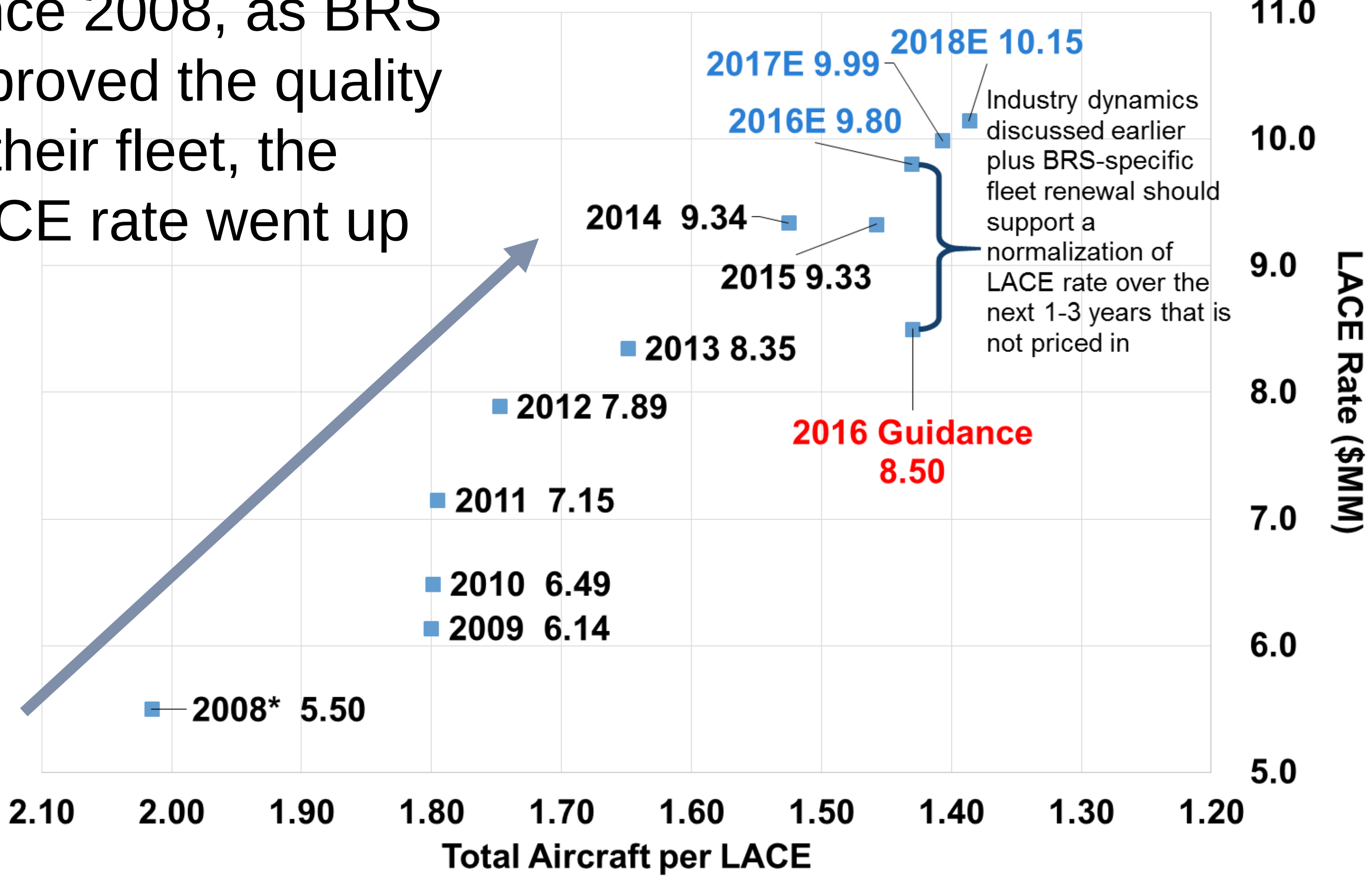


Source: BRS company filings

Bristow's Valuation

Fleet Composition Drives Pricing

Since 2008, as BRS improved the quality of their fleet, the LACE rate went up



* LACE rate not disclosed in 2008; estimated using historical ratio of LACE/non-LACE revenue; LACE rate estimates assume utilization in-line with historical trend
Source: BRS company filings

Bristow's Valuation

Fleet Value Provides Downside Protection

- Excluding leased aircraft, the net asset value is around $50/share
- BRS has purchase options on the majority of the leased aircraft, so true NAV is within the $50-80/share range they specify after adjusting for operating leases
- Assume the midpoint from the NAV including and excluding leased aircraft (~$65/share), plus a 20% margin of safety to account for unforeseen stress in the used helicopter market (due to rising rates, prolonged low oil prices, etc.), and the NAV still is around $50/share

Bristow NAV – from FQ4 Earnings Presentation

	March 31, 2015	
(in millions)	Including leases	Excluding leases
(+) FMV of aircraft	$1,968	$1,968
(+) FMV of leased aircraft	$1,645	-
(+) NBV of PPE without aircraft	$528	528
(+) Working capital	$203	203
(-) LT debt	($846)	(846)
(-) Leased imputed debt	($640)	-
(-) Pension liability	($100)	(100)
Net asset FMV	$2,759	$1,753
# of common shares	35.2	35.2
Net asset FMV per share	**$78.43**	**$49.85**

Source: BRS company filings, BRS FY2015 Q4 Earnings Presentation

Bristow's Valuation

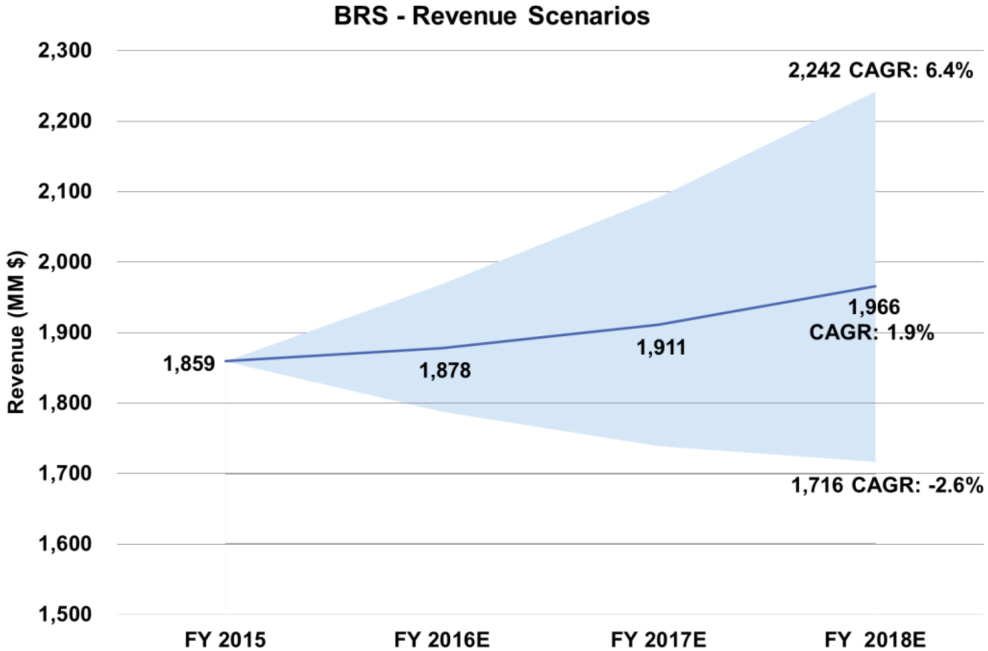
Critical Factors

- Does BRS have the opportunity to grow the size of its fleet?
  - Even adjusted for reduced E&P activity, BRS sees ~100 organic opportunities for aircraft to enter the offshore market industry wide
    - BRS' market share is estimated at 33%
  - UK SAR will be fully operational by FY2018 and BRS sees additional SAR privatization opportunities with other countries
  - BRS has balance sheet flexibility to grow via acquisition
  - BRS can expand into other segments, such as air medical
- Can BRS increase the LACE rate of their fleet?
  - Continued fleet renewal should allow them to skew their fleet larger over the next 3-5 years and result in improved pricing
- Can BRS improve margins?
  - BRS intends to reduce the number of aircraft types in its fleet from 19 to 8 in the next five years
    - Fewer aircraft types leads to lower inventory, maintenance, and training costs
  - SAR assignments have higher percentage of fixed monthly revenue and higher margin than existing oil and gas work

Source: BRS company filings, BRS 2015 William Blair presentation

Bristow's Valuation

Potential Revenue and Earnings Growth Scenarios



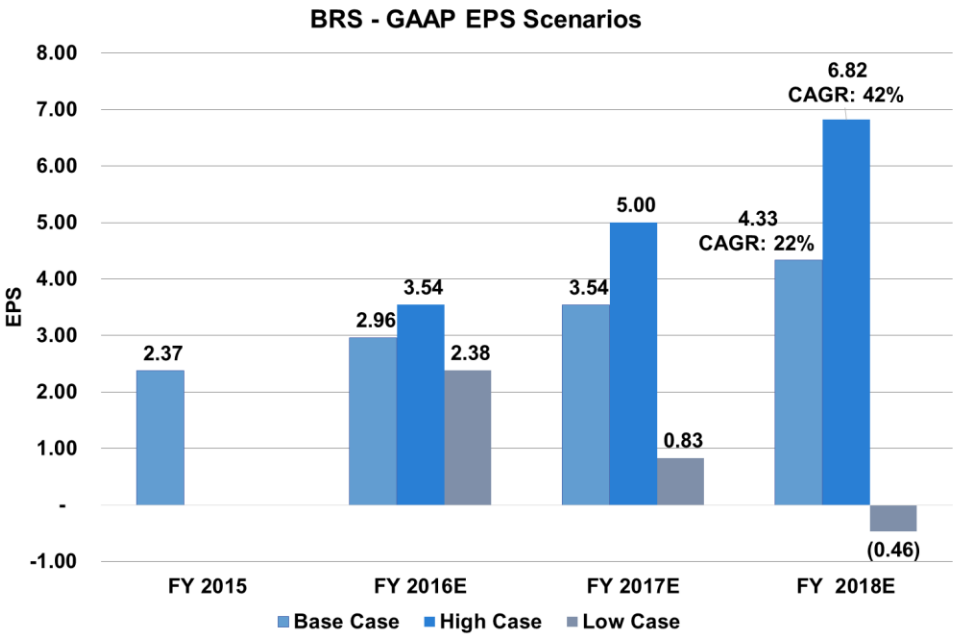
Assumptions:

- All scenarios - SAR hits target revenue at same margin as O&G business (SAR guidance is for mid-40s vs. European O&G currently in high-30s); SG&A/D&A at FY16 guidance plus 5%/10% increase respectively in FY17 and FY18
- Base Case – O&G revenue down 5% in FY16, flat in FY17 and FY18; gross margin 30%/32%/34% as fleet types are reduced
- High Case – O&G revenue flat in FY16, up 5% in FY17 and FY18; gross margin 30%/32.5%/35% as fleet types are reduced
- Low Case – O&G revenue down 10% in FY16, down 5% in FY17 and FY18; gross margin 30%/28%/26%

Source: BRS company filings, BRS FY2015 Q4 Earnings Presentation

Bristow's Valuation

Potential Revenue and Earnings Growth Scenarios



- Under conservative base case assumptions, BRS has the opportunity to grow GAAP earnings at a 20%+ CAGR over the next three years
- Assuming a continued decline in the O&G business, after two to three years earnings could decline significantly in the low case
- The low case does not assume unneeded aircraft are sold, which would improve cash flow and reduce operating costs.

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Source: BRS company filings, BRS FY2015 Q4 Earnings Presentation

Bristow’s Valuation

Risks

- Capital commitments on fleet renewal exceed current cash from operations
- Only 4 of the 36 aircraft in the order book are currently contracted
- Customers can cancel contracts following a notice period, however BRS’ aircraft leases have no cancelation provision
- 42% ownership of JV in Brazil with 60%+ exposure to Petrobras
- Offshore exploration does not continue to move further offshore, reducing the need for high-spec aircraft
- Failure to execute on UK SAR contract

Summary

- Bristow business model is differentiated within the oilfield services sector by having a monthly fixed charge which covers a large percentage of operating costs
- Bristow is more exposed to production rather than capex, making the revenue base more stable
- Bristow has growth potential both within and outside of the oil & gas transportation end market
- Bristow's fleet value provides downside protection
- Using conservative base case assumptions, Bristow could grow earnings at 20%+ per year over the next three years