

Brokering the Sale

VERTICAL MAGAZINE ARTICLE

BY KEN SWARTZ | MARCH 21, 2018

A helicopter doesn't make money sitting on the ground. That's why more than 2,215 pre-owned piston and turbine helicopters changed owners in 2016, according to fleet tracking company Jetnet. A good number of these were direct transactions between a buyer and a seller, but many others would never have happened without the hands-on participation of a helicopter broker to bring the buyer and seller together.



An Airbus AS355 TwinStar sits on the ramp as the sun sets. The ebb and flow of demand for vertical flight drives the international helicopter brokerage industry. Airbus Helicopters Photo

For the first 50 years of the civil helicopter industry, brokers sold aircraft by word of mouth or print advertisements.

“Everything was a lot simpler through the 1980s, when guys confirmed a sale with a handshake,” said Ed Eckhart of Eckhart Helicopter Sales of Grayslake, Illinois. “But as helicopter values increased, deals became more complex and required more attorneys and more time.”

With the growth in use of the Internet in the 1990s, helicopter brokers had to change their business model and focus on client services that capitalized on their deep knowledge of the marketplace.

“My role as a seller agent is to try and differentiate the aircraft I’m selling to highlight its unique value, and for a buyer to meet their initial criteria for best value,” Mark V. Clancy, president and CEO of HelicopterBuyer, Inc. of Minneapolis, Minnesota, told Vertical. “The big challenge for buyers is to decipher what aircraft on the market best meet their needs and preferences for capability, configuration, condition, component value, and overall cost.”



The Bell 407 (foreground) is in high demand. Production of the Bell 206L-4 Long Ranger (background) ended in 2017. Anthony Pecchi Photo

For a lot of helicopter operators, buying and selling is not their core business, said Clancy. Buyers don’t typically have time to find and determine the aircraft that represents the best value among the range available, and sellers often need help to stage and market a helicopter to maximize its value and help it stand out in a crowded market.

A sound investment?

As helicopters have historically appreciated in value, they’ve represented a good investment for most owners and operators.

“Helicopter values steadily increased until 2008,” said Jason Kmiecik, acting president of HeliValue\$, Inc., but “today, nothing is appreciating, and the value of some helicopters is going down faster than others.”

HeliValue\$ has published the Official Helicopter Blue Book for more than 37 years, but its core business is conducting about 2,500 helicopter valuations for banks, lenders, insurers and other financial institutions that require an asset verification and residual value forecasts.

The specific value of a helicopter is primarily determined by global market conditions, as well as its age, condition and configuration, together with the residual value of the time remaining on the engine and dynamic components before overhaul or replacement.

“Going back several decades, it’s normal to see a cyclical economy where business goes down and comes up again,” said Eckhart. “After 2008, the helicopter downturn was deeper than ever before — and the recovery much more shallow.

“It used to be that new rising prices for a helicopter would ‘drag up’ the value of older aircraft and [it] kept residual values strong, but today you can see a split where new prices are climbing and used prices are lagging.”

Low demand from the natural resource sector has driven down helicopter utilization rates and valuations, and “no one has cash anymore,” said Kmiecik.

In the offshore sector, for example, “U.S. and international operators are thinning out their fleets by retiring some Airbus EC155s, Bell 427s and 412s, and Sikorsky S-76s,” said Kmiecik. “The large volume of available aircraft hurts valuations because owners are dropping prices until they find a buyer, and buyers take the posture [of], ‘What kind of deal can you do for me?’ ”



Bell 212s are replacing single-engine Bell 205A-1s on wildfire contracts. Mike Reyno Photo

According to Martin Weening of TransGlobal Aviation of Newmarket, Ontario, there has always been an ebb and flow in helicopter demand, and commercial operators routinely adjust their aircraft fleets to meet end users' needs. "A few years ago, their end user was willing to pay the higher tariff on a AS350 B3e, and it pushed a Long Ranger out of a forestry job. Now, budgets are tight, and customers want to pay Long Ranger rates again."

The cabin configuration and mission equipment installed on aircraft can also affect its sales potential.

"Some buyers will pay more [for] a specific interior, and others will pay less," said Kmiecik. "It's really a matter of supply and demand."

For example, the grounding of the Airbus EC225 fleet in 2015 stimulated huge demand for offshore SikorskyS-92s, in both the offshore and search-and-rescue (SAR) configurations.

On the other hand, a commercial operator seeking a Leonardo AW119 Koala for utility work will see little value in an aircraft having a corporate, emergency medical services (EMS), or offshore configuration.

What's popular?

"Single engine helicopter values are not dropping as fast as other models," said Kmiecik.



Helicopters with analog avionics are losing value faster than those with glass cockpits. Skip Robinson Photo

The six brokerage companies Vertical spoke with for this story all said the Bell 407 and Airbus H125/AS350 B3e were holding their values, since they can be used for many different missions.

“The bigger companies are reducing or modernizing their fleets by selling off older aircraft like the Jet Ranger and Long Ranger, and buying AS350 B3es, 350 B2s or Bell 407s,” said Steve Dettwiler, president of Maple Leaf Helicopters, an international broker based in Vancouver, British Columbia.

Clancy said the Bell 407 is holding its value. “Bell received a big EMS order from Air Methods a couple of years ago that was [cancelled and] later replaced by a 100-helicopter order from China and some significant military sales. The backlog means there is an extended delivery lead-time of up to 1.5 years for a new aircraft, which has helped firm up prices for used 407s.”

Bell’s strong order book for the Bell 505 Jet Ranger X includes many owners/pilots currently flying a piston Robinson R22 or R44. As owners trade up to the 505, the number of R22s and R44s coming on the market will increase and reduce values, said Kniecik.

Falling prices are a challenge for sellers, but it makes private helicopter ownership more affordable, and helps operators upgrade their fleets.

“We’ve been very successful placing Long Rangers with flight training schools,” said Mike Bashlor of Meridian Helicopters, a broker based in Broussard, Louisiana. “The drop in prices has allowed some commercial operators to trade up to more capable aircraft.”

Most helicopter brokers utilize their extensive professional networks as well as various data services to closely monitor global helicopter transactions and demand.



The Bell 412 is replacing the Bell 212 (pictured) in some utility roles. Skip Robinson Photo

“We’re following 51 different turbine helicopter models and see that there are 905 aircraft listed for sale [in early January], out of a total fleet of 15,025 aircraft made by Airbus, Bell, Leonardo and MD,” said Clancy. “In a balanced market, you’d only expect to see between three to four percent of the individual models for sale, but today availability ranges from five to 12 percent for many helicopter types.”

A global business

One half of the world civil helicopter fleet is flying in North America, with about 10,000 aircraft in the largest single market — the United States. Economics and geography have always played an important role in defining helicopter use, with Canada home for the second largest fleet (2,830 units as of Dec. 31, 2017) thanks to its vast geography and natural resources, and China the world’s fastest-growing helicopter market thanks to a booming economy.

“U.S. and Canadian operators generally have good maintenance practices and well-maintained technical records, and this is reflected in higher aircraft values,” said Kmiecik.

Canada is a highly seasonal utility helicopter market, and charter rates are lower than in most Western European countries, which helps explain long-standing local operator preference for pre-owned turbine helicopters over new aircraft.

“You need a broker if you are going to sell aircraft across borders and successfully navigate all the regulations and pitfalls of moving an AStar from Brazil to New Zealand,” said Felix Christians of TransGlobal Aviation.

All brokers Vertical spoke with stressed the importance of having a pre-purchase inspection done by an aircraft maintenance engineer who is well versed in the airworthiness regulations of the destination country.



Utility operators are adding EC225s and Super Pumas to their fleets. Anthony Pecchi Photo

Longstanding bilateral agreements between the Federal Aviation Administration (FAA) and Transport Canada make it relatively easy to transfer aircraft between the two countries, and this also applies to many supplemental type certificate (STC) modifications found on utility helicopters, said Maple Leaf's Dettwiler.

On the other hand, local STC modifications on any aircraft entering Europe have to be certified by the European Aviation Safety Agency (EASA), which can be a costly and time-consuming barrier to entry if the modification was never certified in Europe by the STC holder.

However, operators in New Zealand and Australia routinely shop for pre-owned helicopters in the U.S. and Canada, and don't have a lot of difficulty getting STCs recognized.

In Latin America, Eckhart said that motivated sellers will often reposition an aircraft to the U.S. to reduce buyer uncertainty regarding export rules and bureaucracy.

On the other side of the Pacific, most Japanese operators buy factory new aircraft, and it has become an important source for well-maintained pre-owned aircraft, since Japanese government operators regularly upgrade their fleets.

The Chinese fleet recently overtook New Zealand, Italy, Germany and Japan in terms of size, and now totals more than 1,000 aircraft. Regulators require new aircraft imports to come directly from the country of manufacturer, but some used aircraft are also trickling in to China. The average helicopter utilization across the country is low.



The Robinson R44 is the most traded helicopter in the world. Skip Robinson Photo

The complexion of the helicopter market has changed in the past 10 years as billions of dollars of new helicopters were acquired by leasing companies and placed on contracts with offshore operators.

“In the past, operators would never lease an aircraft, because they preferred to own an asset,” said Eckhart, “but the new generation of helicopters are very expensive, and there were lots of accounting reasons why an operator might want an aircraft off [the] balance sheet.”

Kmiecik said that with the delivery of new aircraft to lessors, a lot of older aircraft are being returned. “The companies have a financial obligation to get all these aircraft flying on another lease, and have been known to offer favorable lease terms in some cases,” he said.

The growth of the leasing industry has been generally positive, but it is also removing some buyers from the market for pre-owned helicopters.

From a support perspective, most leased and new generation aircraft fly under power-by-the-hour (PBH) engine and spare parts contracts.

“This is highly beneficial to an operator because it evens out the exposure on maintenance by reducing lump sum payments,” said Kmiecik. “It also significantly adds to the value of an aircraft, because all the components are regarded as being ‘zero-timed’, since there is money in the program for overhauls.”



Sikorsky S-92 values surged with the grounding of the EC225 fleet, pushing the value of SAR configured S-92s as high as \$40 million. Skip Robinson Photo

Since a PBH program is transferable when an aircraft is sold, it makes an aircraft more desirable, command a higher price, and sell faster than a similar helicopter without a PBH program.

A broker's view

Helicopter brokers are close to the global rotorcraft market, and talk to manufactures, operators and even other brokers on a regular basis. They offer skills and knowledge that the Internet is not able to provide, according to Eckhart. “In a word, it's called service,” he said.

Broker commissions are generally on a sliding scale from two to five percent, but can vary widely depending on the specifics of the transaction and the other services provided.

Eckhart has been buying and selling helicopters for 40 years, and his father was doing so before him. He said the helicopter industry is a small community, and if you have good contacts, you'll know what's being bought and sold, and what's in demand in different corners of the world.

“For example, if you need an Airbus EC145 to expand your hospital HEMS program, there is a good chance the aircraft that meets your specifications is on the other side of the world,” he said. “It’s a big challenge for a hospital to find and buy a helicopter overseas if they have never done it before, but it’s all very routine for us.”



The Leonardo AW109S GrandNew is holding its value better than the AW109E Power.

According to Bashlor of Meridian Helicopters, the value of a helicopter can be increased by overhauling some key components and improving its cosmetic appearance.

Bashlor has worked as a pilot, mechanic and director of maintenance for helicopter operators in Guam, Alaska and the lower 48 states for more than 30 years. Meridian was founded in 2010 in partnership with Cadorath Aerospace.

“The key to selling a helicopter is positioning it correctly,” said Bashlor. “You also have to be honest with the seller and give them realistic and accurate expectations of what the aircraft will sell for.”

Meridian and Cadorath support thousands of helicopters owned by hundreds of helicopter operators. The helicopters it brokers are marketed to these customers, as well as to other companies it knows.

The Canadian perspective

Steve and Keren Dettwiler run Maple Leaf's brokerage business. Steve worked as a commercial helicopter pilot in northern Canada for 12 years, while Karen's background is in the health industry and real estate. They work with clients from as far away as Australia, New Zealand, Europe, and Hong Kong.



The AS355 TwinStar is an older aircraft filling a niche role for operators. Marc Witolla Photo

“When someone is looking for a broker, they are looking for someone with a lot of integrity, who is really looking out for your best interests and has a reputation for dependability [in making] the transaction as seamless as possible,” he said.

Dettwiler said that in today's market, there is a high probability that a helicopter buyer and seller are in different cities or countries.

Many of the aircraft Maple Leaf has sold have been utility helicopters, outfitted with cargo hooks, bear paws and other accessories. New Zealand and Australia are the most common export markets for Bell and Airbus aircraft from Canada, with Lamas from Asia mostly finding new customers in Scandinavia or Latin America.

The international nature of many helicopter transactions sees Dettwiler routinely coordinate all the details associated with the sale and export process.

“We’ll schedule pre-buy inspections and flight tests for the prospective buyer, look after opening escrow accounts, drafting up purchase agreements and bills of sale, providing export C of As [certificates of airworthiness] when required, and can also organize shipping of the helicopters anywhere in the world,” he said.

Over at TransGlobal Aviation, Weening said commercial helicopter demand changes every time an operators’ end customer changes its requirements.



The Leonardo AW139 replaced the S-76 in many offshore and corporate markets. Skip Robinson Photo

The company has focused on helicopter sales for the past 10 years. Its first rotary-wing project involved helping a Canadian fixed-wing flight school find a Schweizer S-300C to launch helicopter training. Weening said this led to further Canadian sales as helicopter operators realized they were not receiving the same high level of service routinely offered to the fixed-wing community.

Felix Christians, a commercial helicopter pilot who now runs TransGlobal’s rotorcraft brokerage, said it’s important that a pre-purchase inspection be done by an aircraft maintenance engineer who is familiar with the regulatory requirements of the destination country.

“You are probably going to need the help of a broker if you are going to sell a helicopter across an international border,” he said. “It can be a really complicated, time consuming ‘nuts-and-bolts’ process that is full of risks if you don’t.”

Many of the aircraft listed on TransGlobal's website are exclusive listings from large commercial operators who are adapting their fleets in response to changes in user demand. In the past 12 months, there has been strong demand for Airbus AS350 B2s and B3s, and Bell 212s are finding more favor for wildfire and utility work over Bell 205A-1s.

The personal touch

According to Andy Caddick, president of UK Heli Sales, the country is a vibrant second-hand market with a lot of Robinsons, AStars, Jet Rangers and MD500s available. "Aircraft are passed around a lot within the country because of the high taxes, including a 20-percent Value Added Tax (VAT) on helicopter imports," he said.



Long wait times for new Bell 407s have firmed up values for the aircraft. Bell Photo

Caddick was a professional cricketer for 22 years, which provided the means in 2001 to buy and fly an MD 500 before he transitioned into the helicopter and business jet brokerage business prior to his retirement in 2009. He realized a buyer's and seller's personal needs were paramount, requiring a more personal and hands-on service.

"I like to personally meet buyers and the sellers and will then bring the parties together to facilitate a transaction," he said. "The U.K. is a small country, so it's not that difficult to travel around. It also takes the stress off a private owner, especially if they are reluctantly selling an aircraft due to a personal or business reason."

Caddick also regularly visits his customers after a transaction has closed to ensure everything went smoothly. Staying in touch with clients has also allowed him to broker

the sale of a first-time business jet to a helicopter customer, and a first helicopter for a bizjet client. He said that building a relationship of trust with a customer is crucial in securing return business.

“I find that nine out of 10 private buyers usually know a tremendous amount about the aircraft they want to buy,” he said. “You have to work down a list of tick boxes to find an aircraft that meets their exact needs.”

Back across the Atlantic, HelicopterBuyer’s Clancy said the value of a broker is greater in a “buyer’s market” because they can help the seller differentiate their aircraft in the high volume of aircraft available.



The Sikorsky S-76C++ sells faster with a power-by-the-hour parts and engine program. Mike Reyno Photo

“One of the challenges is that sellers don’t take a buyer’s perspective when they list an aircraft for sale,” he said. “Most buyers are looking for a quick purchase of an aircraft they can put to work on a contract they just won and is ‘ready to go’ with a minimal amount of work required.

“They are not looking for a shop project that will take three to six months to get ready. Ideally, they also want an aircraft in a state where they can operate it for a couple of years without major maintenance, and that doesn’t have to be reconfigured to perform the job.”

Obtaining the best value when buying or selling a helicopter is not a straightforward process, since accurate aircraft valuations require a tremendous attention to detail. On

top of that, international transactions require expert knowledge of import regulations, aircraft certifications and modification approvals.

Many great deals — especially the most complex — would never occur without the direct involvement of a professional helicopter broker.