

CHC Group Ltd.
Form 10-Q
September 09, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the Quarterly Period Ended July 31, 2015

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____
Commission File Number: 001-36261

CHC Group Ltd.
(Exact name of registrant as specified in its charter)
Cayman Islands

98-0587405

(State or other jurisdiction of
incorporation or organization)
190 Elgin Avenue
George Town
Grand Cayman, KY1-9005
Cayman Islands

(I.R.S. Employer
Identification No.)

(Address of principal executive offices, including zip code)
(604) 276-7500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2015, there were 81,487,573 ordinary shares issued and outstanding, excluding unvested restricted shares of 40,516.

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PART I—FINANCIAL INFORMATION

TRADEMARKS

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GLOSSARY

Deepwater	Water depths of approximately 4,500 feet to 7,499 feet.
Dry lease	A dry lease is a leasing arrangement whereby an entity provides an aircraft to another operator without insurance, crew, ground staff, supporting equipment or maintenance.
EMS	Emergency medical services.
Heavy helicopter	A category of twin-engine helicopters that requires two pilots, can accommodate 16 to 26 passengers and can operate under instrument flight rules, which allow daytime and nighttime flying in a variety of weather conditions. The greater passenger capacity, larger cabin, longer flight range, and ability to operate in adverse weather conditions make heavy helicopters more suitable than single engine helicopters for offshore support. Heavy helicopters are generally utilized to support the oil and gas sector, construction and forestry industries and SAR and EMS customer requirements.
Average HE count	Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50%, respectively, to arrive at a single HE count, excluding helicopters that are expected to be retired from the fleet and those helicopters which form part of our restructuring activities. The average HE count for a period is calculated using a weighted average of the HE count for the beginning and end of each quarter included in that period.
HE Rate	The Heavy Equivalent Rate, or the HE Rate, is the third-party operating revenue from the Helicopter Services segment (excluding reimbursable revenue) divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our fleet.
Long-term contracts	Contracts of three years or longer in duration.
Medium helicopter	A category of twin-engine helicopters that generally requires two pilots, can accommodate eight to 15 passengers and can operate under instrument flight rules, which allow daytime and nighttime flying in a variety of weather conditions. The greater passenger capacity, longer flight range, and ability to operate in adverse weather conditions make medium helicopters more suitable than single engine helicopters for offshore support. Medium helicopters are generally utilized to support the oil and gas sector, construction and forestry industries and SAR and EMS customer bases in certain jurisdictions. Medium helicopters can also be used to support the utility and mining sectors, as well as certain parts of the construction and forestry industries, where transporting a smaller number of passengers or carrying light loads over shorter distances is required.

MRO Maintenance, repair and overhaul.

New technology When used herein to classify our helicopters, a category of higher-value, recently produced, more sophisticated and more comfortable helicopters, including Airbus Helicopters H225, H135, H145 and H155; AgustaWestland's AW139; and Sikorsky's S76C++ and S92A.

OEM Original equipment manufacturer.

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PBH	Power-by-the-hour. A program where a helicopter operator pays a fee per flight hour to an MRO provider as compensation for repair and overhaul of components required in order for the helicopter to maintain an airworthy condition.
Rotables	Helicopter parts that can be repaired and reused such that they typically have an expected life approximately equal to the helicopters they support.
SAR	Search and rescue.
Ultra-deepwater	Water depths of approximately 7,500 feet or more.

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ITEM 1. FINANCIAL STATEMENTS

CHC Group Ltd.

Consolidated Balance Sheets

(Expressed in thousands of United States dollars except share and per share information)

(Unaudited)

	April 30, 2015	July 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 134,297	\$ 102,110
Receivables, net of allowance for doubtful accounts of \$1.7 million and \$3.2 million, respectively (note 2(a)(ii))	241,624	203,172
Income taxes receivable	14,191	11,268
Deferred income tax assets	416	479
Inventories (note 5)	117,748	110,552
Prepaid expenses	28,742	25,836
Other assets (note 6)	67,870	61,532
	604,888	514,949
Property and equipment, net	951,554	944,084
Investments	33,293	34,038
Intangible assets	169,598	163,848
Restricted cash	19,333	35,412
Other assets (note 6)	458,156	493,353
Deferred income tax assets	1,333	1,757
Assets held for sale (note 4)	13,424	9,903
	\$2,251,579	\$2,197,344
Liabilities and Shareholders' Deficit		
Current liabilities:		
Payables and accruals	\$275,944	\$274,381
Deferred revenue	40,949	36,662
Income taxes payable	42,000	40,034
Deferred income tax liabilities	43	494
Current facility secured by accounts receivable (note 2(a)(ii))	43,379	51,437
Other liabilities (notes 3 and 7)	102,100	100,621
Current portion of long-term debt obligations (note 8)	3,624	10,136
	508,039	513,765
Long-term debt obligations (note 8)	1,215,655	1,227,353
Deferred revenue	64,387	63,150
Other liabilities (notes 3 and 7)	273,274	271,190
Deferred income tax liabilities	8,927	9,087
Total liabilities	2,070,282	2,084,545
Redeemable non-controlling interests (note 2(a)(i))	16,940	17,306
Redeemable convertible preferred shares: Par value \$0.0001		
Authorized: 6,000,000; Issued: 617,045 and 630,157; Dividends in arrears: \$6.5 million and \$6.7 million	589,823	602,935
Capital stock: Par value \$0.0001		
Authorized: 1,994,000,000; Issued: 81,249,359 and 81,487,573	8	8
Additional paid-in capital (notes 2(a)(i))	1,961,007	1,965,470
Deficit	(2,070,254) (2,123,616)

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Accumulated other comprehensive loss	(316,227) (349,304)
	(425,466) (507,442)
	\$2,251,579	\$2,197,344	

See accompanying notes to interim consolidated financial statements.

See table in Note 2(a)(i) for certain amounts included in the Consolidated Balance Sheets related to variable interest entities.

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CHC Group Ltd.

Consolidated Statements of Operations

(Expressed in thousands of United States dollars except share and per share information)

(Unaudited)

	Three months ended	
	July 31,	July 31,
	2014	2015
Revenue	\$460,648	\$375,937
Operating expenses:		
Direct costs	(394,547)	(314,170)
Earnings from equity accounted investees	2,677	1,433
General and administration costs	(21,662)	(16,356)
Depreciation	(33,725)	