Helicopter KV107 Spare Parts

An inventory and cross-referencing of the 500,000 + parts to a retail value has been surveyed by an independent parts company, Horix Aerospace.

The appraisal set value is between **$30-35 million**

- Twenty eight (28) 40 FT Sea Worthy Containers of New Spare parts
- Twenty seven (27) Engines – serviceable.
- Twenty (20) Gear Boxes
- Twenty (22) Rotor Hubs

- The 27 spare engines are kept in special steel container, plus 5 damaged engines for parts
- Small spare parts in the 29 containers are well stored in wooden crates, original packing, in excellent condition and with a tag containing all necessary information.
- Rotor Blades: over 120 new steel blades (each helicopter uses 6)
- Other major components like shafts and gear boxes include several new pieces
- Other New Parts as an example: Accessories Firefighting buckets, Hoists, Seats, tanks, etc…

The 27 engines are very attractive to other owner operators of KV or BV 107 helicopters that have a high hourly use per annum. A similar engine, not including the core, had been recently purchased by one of our strategic partners for $800K. After some discussions with Vector, and based on a description of the condition of our engines, the estimate for a Light Overhaul was about $100K per engine. Presumably we have before the LO work about $15-18 M in engine value.

Containers with Spare Parts

To XXXXXX
XXXXX

Quartino, 21 March 2018

KV107 Spare parts inventory appraisal

Introduction

The present document aims to elaborate an appraisal on XXXXX ("XXX") KV107 spare parts inventory. Before presenting the inventory value, Horix Aerospace first enlist basic milestones on which its strategic approach is based on.

The value

The value of a spare parts inventory is not primarily dependent on its own age or condition, but on the remaining service life of the fleet of aircrafts that it is supporting.
The most suitable method for the valuation of hard to find aircraft spare parts is the *Annuity Method of Depreciation*, and that the values of spare parts are mainly dependent on the remaining service life of the supported aircrafts.
Aircraft spare parts form an asset category of their own, which behave unlike any other type of asset. Treating them like consumable spare parts or machines may produce arbitrary results when outsourcing decisions on availability service are made.
Every item in inventory has a historic value equal to its purchase price, a current value equal to its market value and a replacement value equal to the sum needed to buy a new similar item.

Rotable spare parts

The rotable nature of the part means that, in case of failure, it is generally less expensive to repair it than discard it and purchase a new unit as a replacement. After the repair has been completed, the unit is stored as a spare. The purpose of keeping spare units at hand is to increase the utilization of the production equipment by limiting the downtime to the time that it takes to replace the failed unit.
Many aircraft components can go through a practically unlimited number of repairs and overhauls without wearing out, thus having a service life equal to the economic life of the supported aircraft type. In real life, there are naturally rotable spare parts that deteriorate with age regardless of the maintenance operations performed on them.

Income

A spare part generates income by shortening the downtime of the supported aircraft. The downtime is initiated by a random phenomenon, system failure. As the number of random events increases in the long run, the law of large numbers reduces the variation. It is also assumed that the nominal downtime cost of aircrafts remains unchanged through its whole productive life. Consequently, the nominal income generated by a rotable spare part will be uniformly distributed

over its service life. When the income approach of valuation is applied, it is evident that the value of a spare parts inventory is heavily dependent on the remaining service life of the supported aircrafts. Theoretically, the present value of a spare part at the beginning of its service life is its purchase price.

Spare Parts Inventory

The inventory is stored in 28 each 40 feet containers containing approximately 7.400 different line items:

a) 5.940 New different line items for approximately 500.000 parts, many of them are standard parts (60%) and KV107 specific parts (40%) beginning with P/N 107-xxx.

b) 1.460 specific KV107 high value rotable line items; these items are serialized, (for example the 25 CT58 engine turbines)

There are many high value parts like actuators, rotor hubs, blades and shaft assembly, these parts are the core parts needed for maintaining the KV107 fleet in airworthy condition.
These parts are *hard to find parts* because there are only few parts available on the market. (Source Parts Base, Locatory and Stock Market, the most important online marketplaces for aerospace products).

Final Considerations

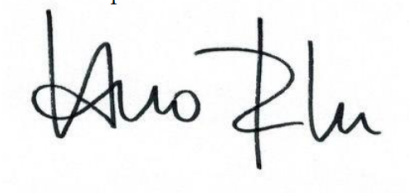
Considering that most of the spare parts are in new and in good storage condition, the actual value of the XXXX XXX inventory should be in a range of

30 to 35 million USD

After completing the stock-taking, we could make a more accurate valuation.

Best regards

Marco Taufer
Head of Spare Parts Division



Engines Stored in Steel Containers

There are many high value parts like actuators, rotor hubs, blades and shaft assemblies, these parts are the core parts needed for maintaining the KV107 fleet in airworthy condition.

Spare Parts in Wooden Crates

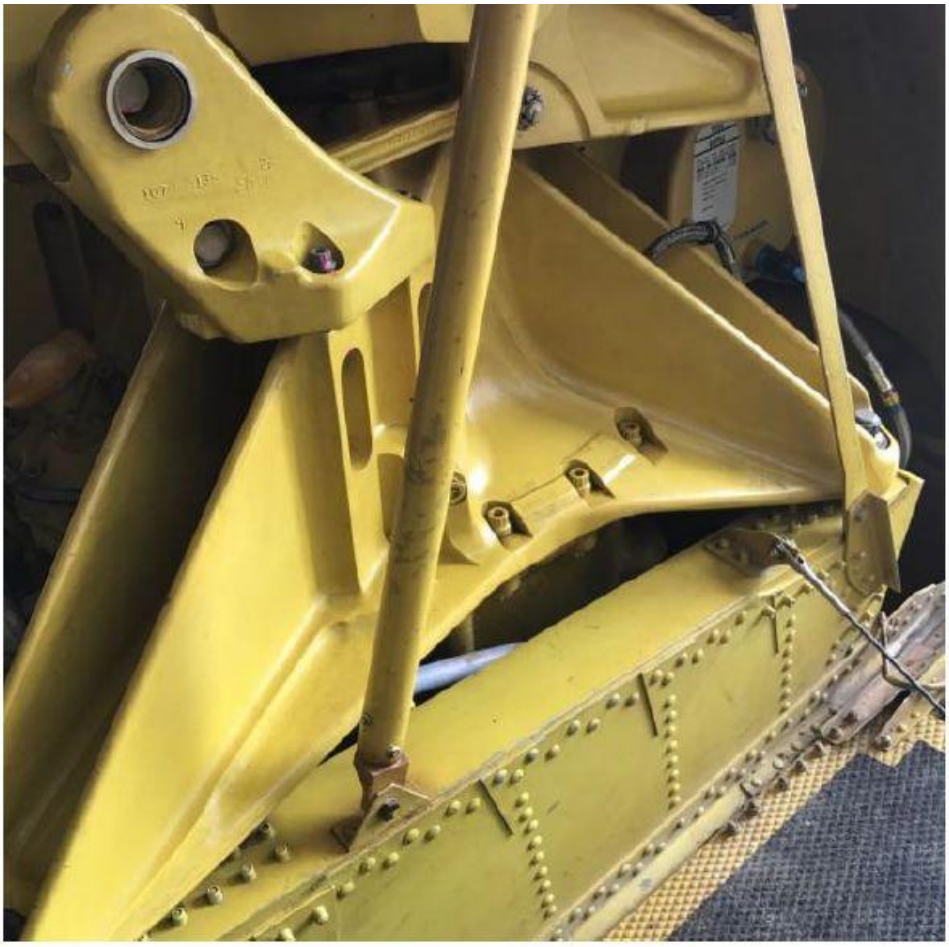
Spare Engine in Steel Container

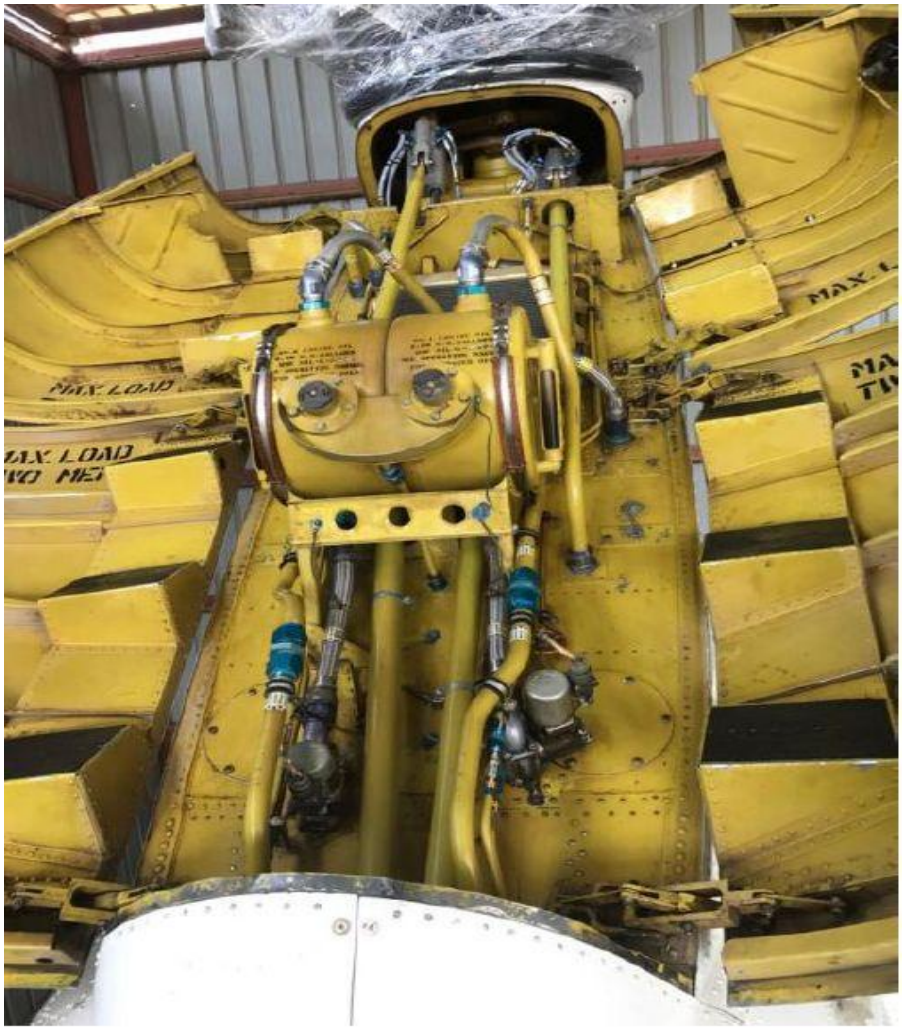
New Rotor Hub Stored in Special Steel Container

Transmission

Shaft


DO NOT DROP
DO NOT DROP




MAX. LOAD