



# Mossberg's Investor Digest

## Idea Profile

### Bristow Group (NYSE: BRS)

#### DESCRIPTION:

Founded in 1969 and headquartered in Houston, TX, Bristow Group provides helicopters to transport personnel and time sensitive equipment to and from offshore oil rigs. The company has a fleet of 548 helicopters (25 more on order), and generates 77% of its sales from outside the U.S.

#### KEY INVESTMENT CONSIDERATIONS:

**Demand for Ultra Deep Water Drilling is Increasing** – The soaring price of oil and the increased interest in drilling in deep water areas, further from the coasts, has led to a major increase in helicopter operations in the offshore oil and gas industry. Not only is the demand for Bristow services high, the rates they are charging are also increasing.

**Pricing Power** – With strong demand for their services, a constrained supply of new helicopters, and a very limited amount of competition, Bristow could enjoy considerable pricing power over the next three years.

- **Supply Constrained** – There is a shortage of helicopters and crews to service the offshore industry. In addition to demand from the offshore drilling market, the wars in Iraq and Afghanistan are putting a strain on the helicopter manufacturers' ability to meet supply. There are only three companies that make helicopters and their order books are locked up for the next three years.

- **Oligopoly Market** – Besides Bristow, there are only two other significant players in oil rig helicopter market, CHC Helicopter (NYSE: FLI), which has a fleet of approximately 250 helicopters, and PHI Inc. (Nasdaq: PHII), which has a fleet of approximately 160 in its oil rig transport business segment. With as much business as they can handle, there is little incentive for these three companies to compete with each other based on price.

**Recurring Revenue Gives Visibility** – Bristow provides helicopter transportation services on a contracted monthly retainer, so they get paid the same amount of money regardless of how often the helicopters are used.

**Excess Fuel Costs Are Passed On To Customers** – The strong demand for its services and limited amount of competition allow Bristow to pass on increased fuel costs to its customers.

#### KEY RISK(S):

**Cyclical Business** – Although day rates for helicopter transport are less cyclical than the oil rigs, this business is still influenced by the price of oil. A significant downturn in the price of oil, could cause demand for Bristow's services to decline and strain the company's ability to service its debt.

#### RECENT FINANCIAL TRENDS:

**Recent Capital Raise** – Bristow's stock price has fallen approximately 20% since it announced its intentions to raise capital to finance the purchase of additional helicopters. The offering was completed in late June, raising the company approximately \$335 million. The company issued 4.7 million shares of stock at \$46.87 per share and \$115 million in notes.

#### VALUATION:

CHC Helicopter, which produces lower returns than Bristow, was recently taken private in a cash offer. The valuation was approximately 12x EV/TTM EBITDA. Putting a similar valuation on BRS, would yield a 40% premium to BRS' current stock price.

<b>(NYSE: BRS)</b> Investment Data (As of 7/15/08)	
<b>Recent Price</b>	<b>\$43.49</b>
52-Week Range	40.00 - 58.98
Fiscal Year End	Mar
Dividend	N/A
Yield	N/A
Shares Outstanding	28.4 MM
Average Trading Volume (3 mos)	485,000
Market Capitalization	1.2 B
Cash	290.1 MM
Long Term Debt	608.7 MM
Enterprise Value (EV)	1.5 B
LT Debt/ Equity	0.63
Tangible BV/ Share	\$34.0
TTM Revenue	1.0 B
<b>P/ Revenue</b>	<b>1.1x</b>
TTM EPS	3.41
<b>P/ EPS</b>	<b>12.8x</b>
TTM EBITDA	193.6 MM
<b>EV/ TTM EBITDA</b>	<b>7.7x</b>

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