HEICO

Is the PMA debate finally over?

March 26, 2009

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Agenda

Why PMA is more important than even before

The legitimacy debate is over!

The final hold outs

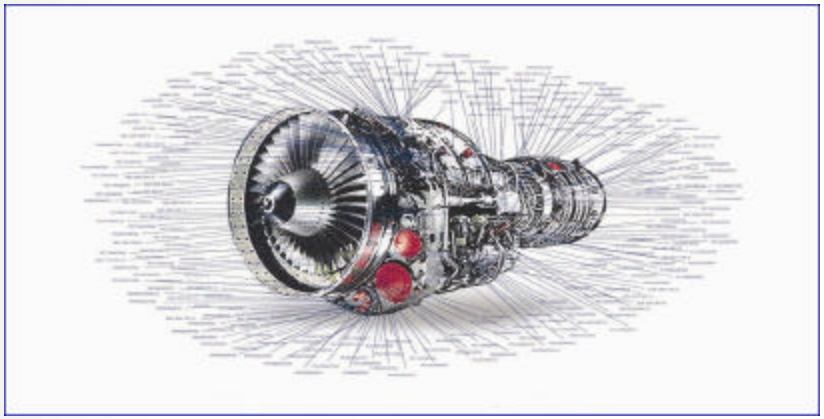
What support do the next generation of PMA users need?

Conclusion

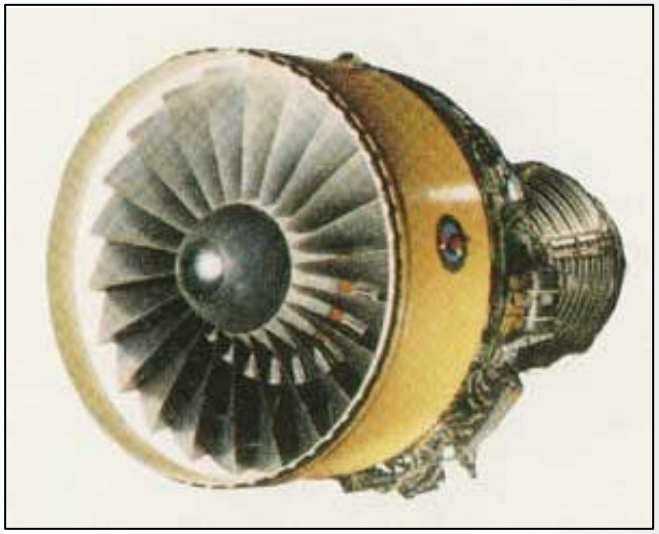
What does a robust PMA strategy provide

- Immediate Cost Savings
- Cost Planning
- Technical Solutions
- Leverage
- Competitive Edge

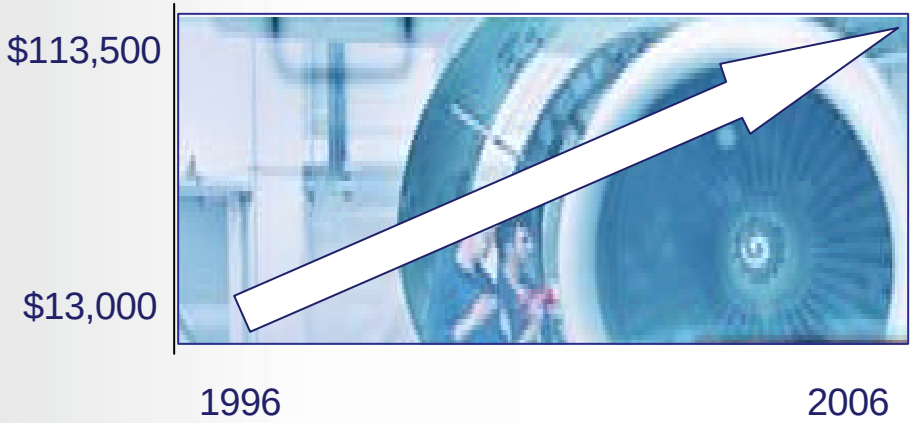
Immediate Savings



Estimated savings for a CFM56-3 = $95,000 USD



Estimated Savings for a PW4060 = $110,000 USD

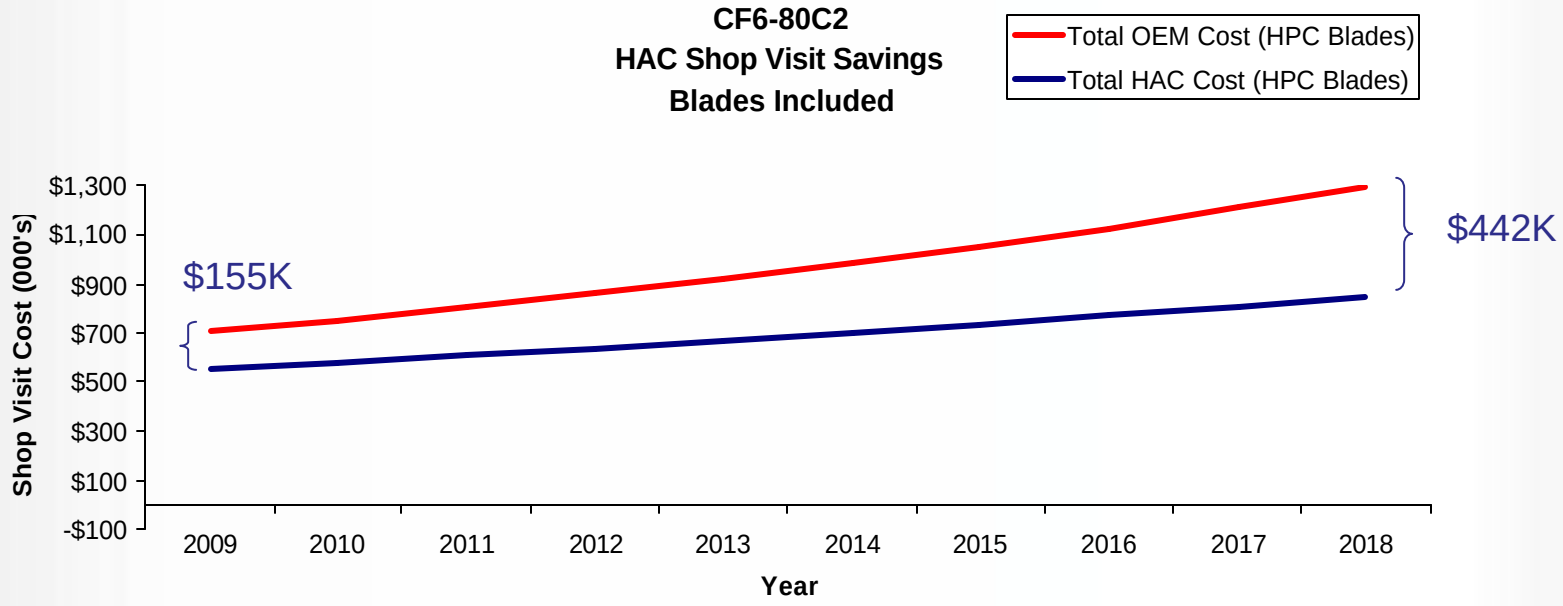


Estimated Savings for a CF6-80C2 = $113,500 and growing!

HEICO Parts Deliver Meaningful Savings!

Cost Planning

- Total PMA savings is calculated based on the OEM escalation of 7% and HAC escalation of 5%.
- Savings per shop visit is calculated on a full overhaul



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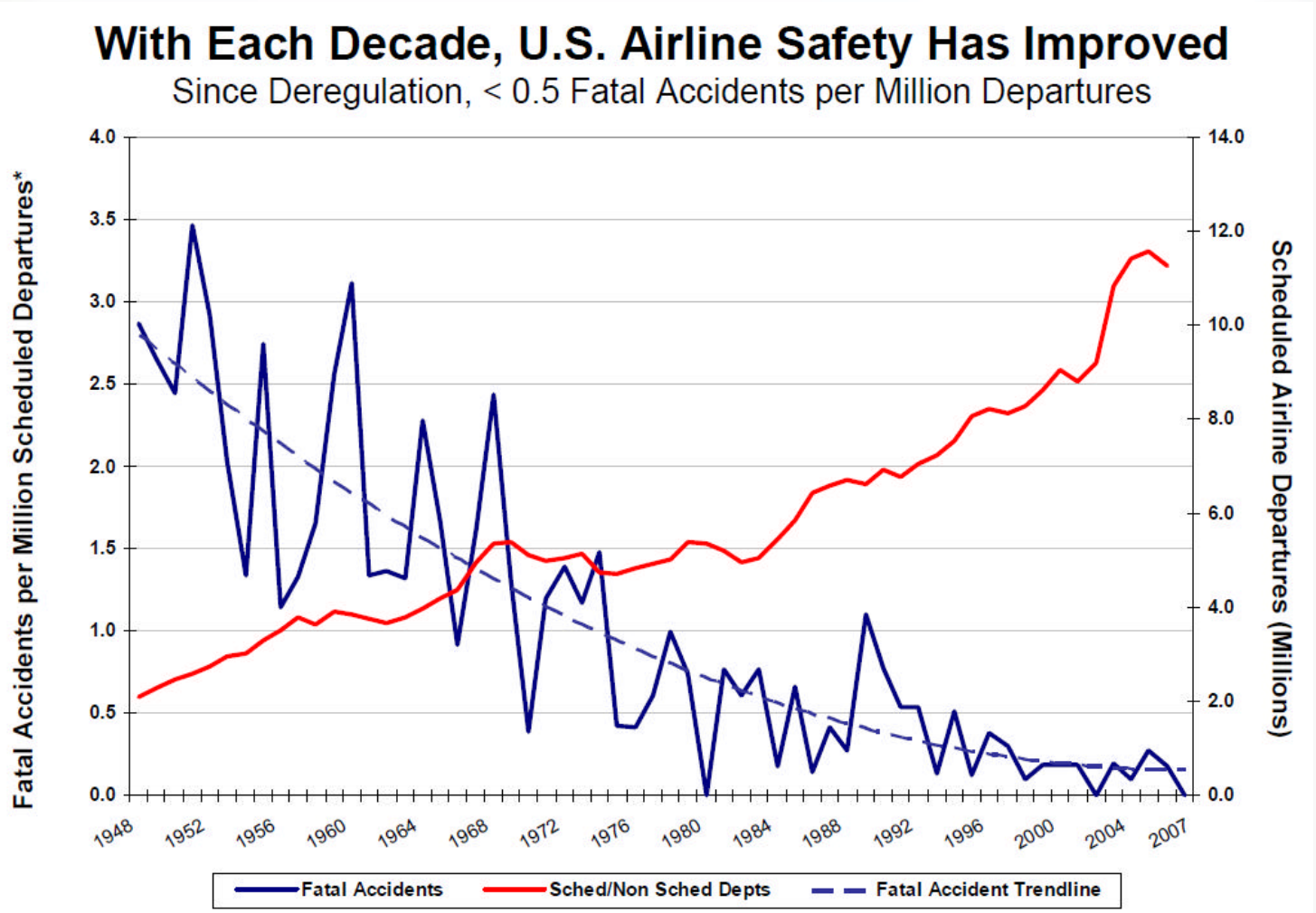
The Legitimacy Debate - Increased PMA Usage has had no negative effect on Safety



* Scheduled and Non-scheduled passenger and cargo operations of U.S. air carriers operating under 14 CFR 121; NTSB accident rates exclude incidents resulting from illegal acts

Source: National Transportation Safety Board (NTSB)

The Legitimacy Debate - HEICO Safety Record

Total Parts Quantity Sold since 1985:

37,099,592 *

Over 5000 Active PMA Parts

- Number of SBs Issued: 0
- Number of ADs Issued: 0
- Number of IFSDs: 0

Lufthansa is the world's leader in the use of PMA replacement parts and maintains a world class safety record

*Through Oct 31, 2008

The legitimacy Debate

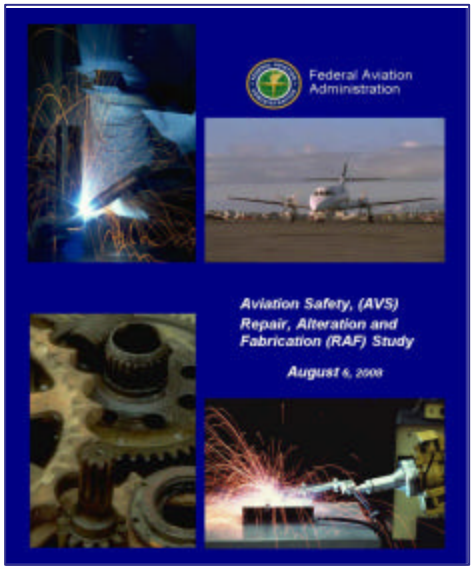
European Aviation Safety Agency

EASA Decision ED/2007/003/C

FAA SAIB NE-08-40

FAA Aircraft Certification Service

SPECIAL AIRWORTHINESS INFORMATION BULLETIN



FAA RAF Study

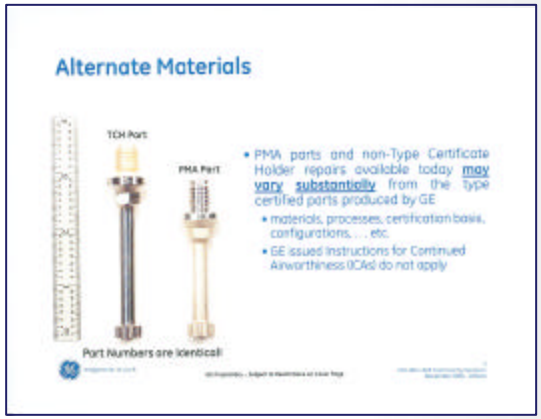
ENGINEERING & MAINTENANCE

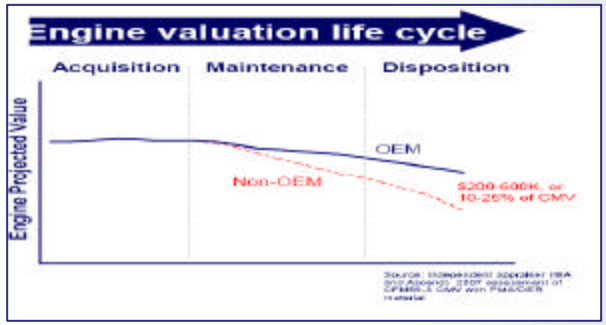
End of the PMA legitimacy debate

***Aircraft Technology: Issue 96, Oct-Nov 2008**

Both EASA and the FAA have made bold moves in support of PMA

Recent expensive attempts to discredit PMA have gone largely ignored



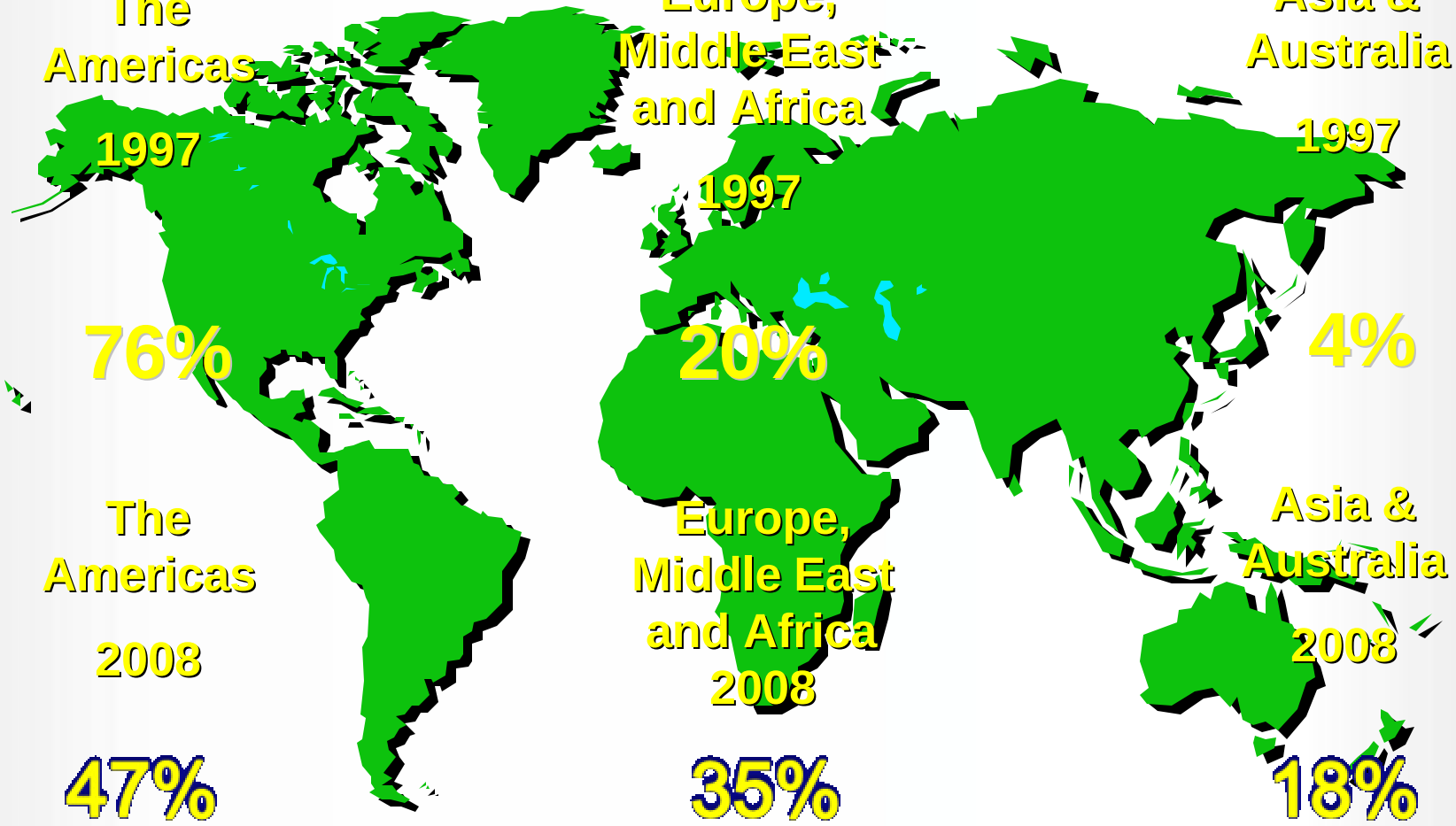


DENIAL - RIDICULE - ACCEPTANCE

The legitimacy Debate – The OEM Reactions

OEMs are now openly joining the PMA arena

The PMA market in 1997…..2008



The Legitimacy debate – Worldwide Acceptance

There is not a jurisdiction in the world
that cannot accept PMA Parts

As cost pressures increase so will
the airlines willingness to review alternatives

Soon PMA will be a mainstream activity for every major airline

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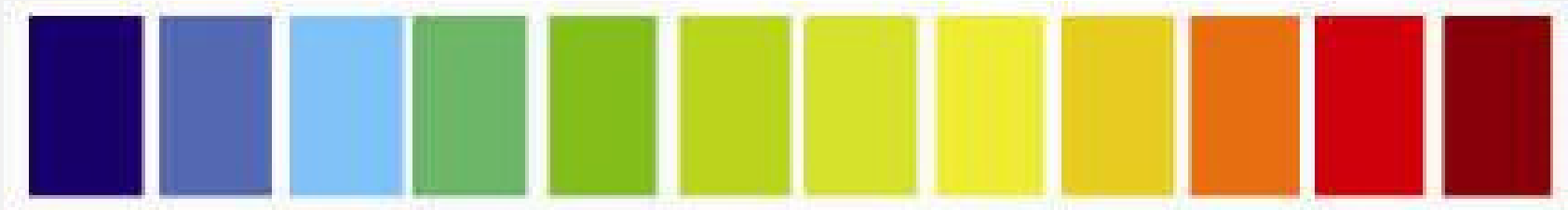
Holdouts - What's happening in the MRO World

Actively promotes choice

Allows no choice



Controls 50% of the engine MRO market

Holdouts - The leasing industry still sits on the fence…

With future savings up to 1M per event leases that do not allow PMA will become unattractive

By 2010 it is unlikely that there will be a large airline left that does not allow PMA

The leasing industries worries regarding asset value and marketability need to be addressed

If you don't want to compete with the 500lb Gorilla……

Sitting on the fence won't be an option for much longer

CHOICE becomes the ultimate service provider differentiator

Due to increased pressure the Airlines will begin demanding more choice……

- Leasing companies will begin offering lease rates adjusted for the use of PMA and DER
- MROs that will not consider PMA will be forced to cover the lost savings elsewhere in order to secure business
- Non MRO Airlines will begin forming their own PMA strategies

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What support do the next generation of PMA users need?

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What support do the next generation of PMA users need?

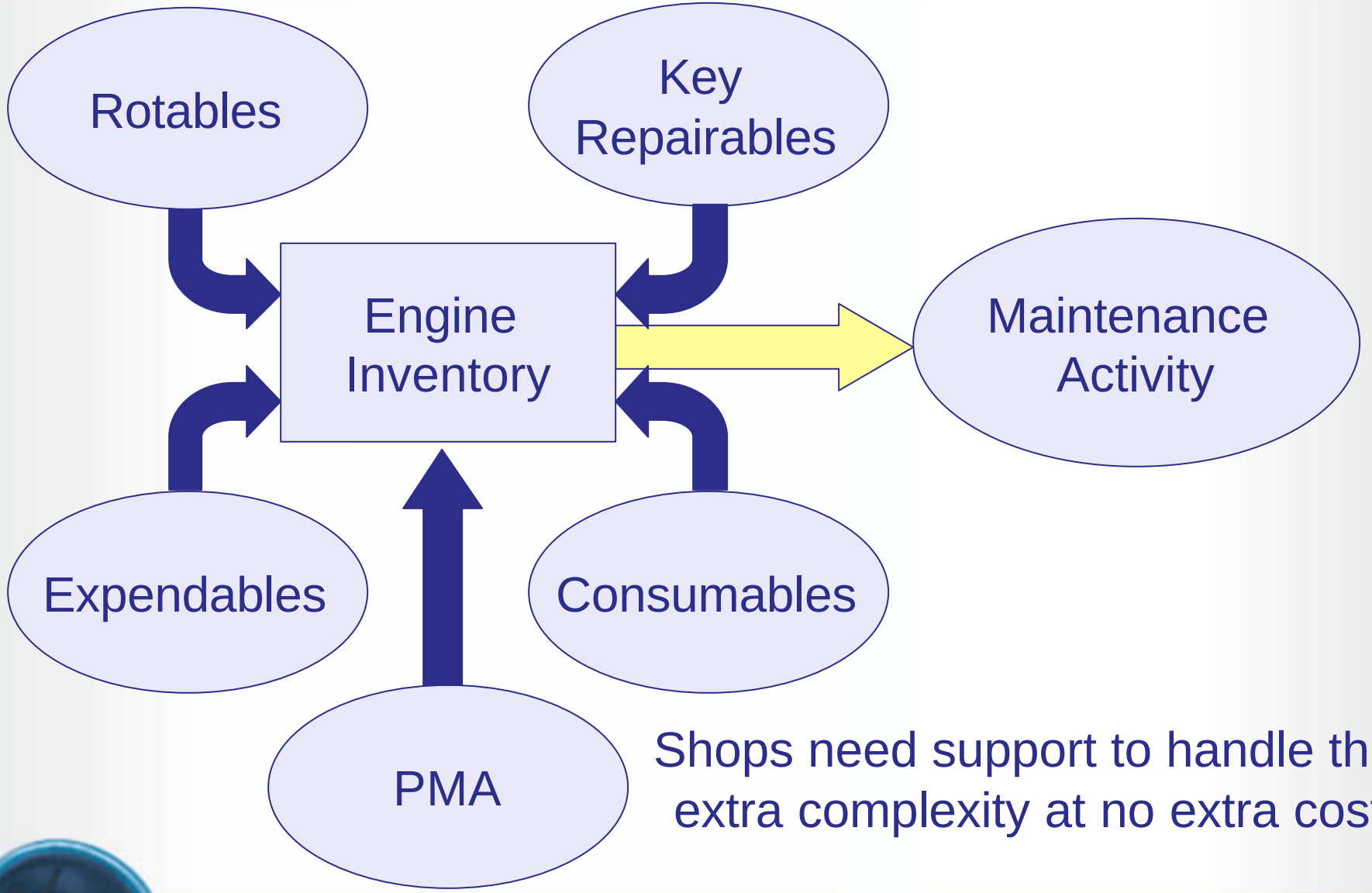
- Airlines without MRO – is it possible to have a PMA strategy?
- Major Engine shops that have not traditionally used PMA, how can they maximize savings quickly?
- Airlines with long term engine deals – are there still big savings available?

Support Solutions - A broader range of Product

- PRODUCT IMPROVEMENTS
- FAA APPROVED PMA PARTS
- PMA MANAGEMENT PROGRAMS
- MANUFACTURING
- UNIT EXCHANGE DER REPAIR
- INTERIORS
- CONT. PROVISION OF OBSOLETE PARTS

A WIDE RANGE OF COST SAVING SOLUTIONS

Support Solutions– Engine Shops that have not used PMA



Shops need support to handle this extra complexity at no extra cost

Support Solutions – Engine Shops that have not used PMA

A Typical Engine PMA Management program will

- Consign Inventory
- Handle Logistics
- Provide Technical Approval pre-audits
- Guarantee savings
- Provide high levels of Warranty and Insurance
- Eradicate the need for multiple contract negotiations
- Assist the Airline with regulatory issues relating to PMA

Provide a one stop shop

Support Solutions – Airlines without MRO

CUSTOMIZED KITTING PROGRAMS

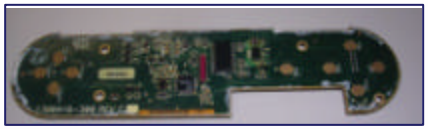
ENGINE SHOP = SAVINGS

Unused parts are returned and credited

HEICO currently provides ship kits on all major engines

Interiors Programs can provide savings similar to traditional Engine programs but;

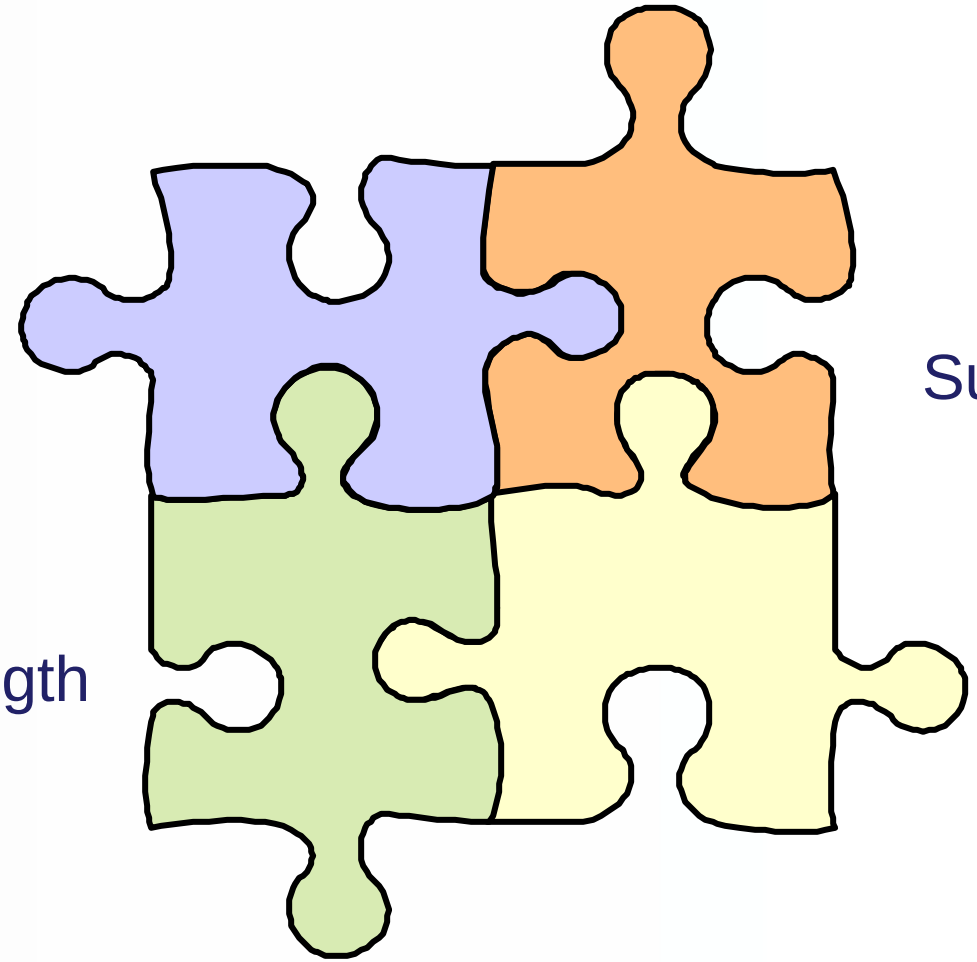
- Large quantities of PMA's needed to make an impact (high investment)
- Need full capability – not just plastics
- PMAs must be manufactured fast (less than 6 months)
- Interiors do not lend themselves to multiple Suppliers
- PMA company must provide high intrinsic and cosmetic quality



A strong partner is essential

Critical Mass

Support Systems



Financial Strength

Engineering

Make sure your Supplier has all the pieces of the puzzle

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Conclusion

The Airlines need a viable long term alternative, to truly offer that the PMA Industry MUST:

- **Invest** – the quality offered by a PMA company MUST be equal or better than that of an OEM
- **Invest** – the airlines need critical mass, that means more parts
- **Invest** – the level of service offered by a PMA company MUST be equal to that of an OEM
- **Invest** – the airlines have never been more in need of innovative solutions

Investment is the only way to thrive in today's environment

Engine-numbers mech Plain

Thank You For Listening!

HEICO