

HAWAIIAN AIRLINES RESTRUCTURING

Hawaiian Airlines, with approximately \$700 million annual revenues and a history of losses, entered Chapter 11 bankruptcy in May 2003. The airline's court-appointed bankruptcy trustee engaged Simat, Helliesen & Eichner (SH&E) to lead one of the most successful restructuring efforts in North American aviation history, leading to 100 percent recovery for creditors and restored value to equity-holders. SH&E's services encompassed network, fleet, labor and financial restructuring areas.

NETWORK PLANNING

SH&E evaluated Hawaiian's network to rationalize existing services and identify growth opportunities that strengthen the carrier's Honolulu hub. SH&E recommended and helped implement the termination of underperforming routes and the redeployment of that capacity into secondary cities where Hawaiian could maintain a sustainable competitive advantage. With NetWorks, SH&E's proprietary network simulation and planning software, SH&E evaluated 14 potential long-haul expansion routes to chart a network growth plan that increases aircraft utilization and passenger load factors.

LABOR COST BENCHMARKING

SH&E helped Hawaiian establish appropriate wage and benefit levels to support the airline's competitive position. SH&E benchmarked wages, benefits and productivity levels against competing airlines according to aircraft type and mission, identifying revenue differences that supported differential pay rates. SH&E developed communication materials to support negotiations with labor groups and participated in these presentations.

FLEET PLAN AND LEASE RESTRUCTURING

SH&E assessed Hawaiian's fleet in relation to mission, capabilities and cost optimization to set forth a long-term fleet growth plan. SH&E developed market value estimates for Hawaiian Airlines' leased aircraft and tested proposed lease rates against alternative aircraft options, taking account of differences in maintenance and operating costs. These indifference points were critical support for the negotiations with lessors, which SH&E also helped lead. SH&E also maintained an ongoing search effort for expansion aircraft and addressed a range of other operational issues related to the fleet.

BUSINESS PLAN

SH&E developed and helped implement a five-year business plan for Hawaiian that supported network growth and the airline's transition from tour operator to Internet-based distribution. SH&E developed an interactive financial model to estimate P&L, cash flows and balance sheet impacts of restructuring and competition, helping to identify and quantify measures to contain costs.

M&A ADVISORY SERVICES

SH&E led the effort to recapitalize Hawaiian with new equity investors. SH&E professionals drafted a prospectus, contacted over 50 potential investors (including private equity firms strategic partners), developed a data room, administered a successful auction, led the negotiations with bidders and conducted valuations that were used to increase bids. This effort led to 13 qualified proposals, created incremental value of \$238 million and new financing of \$113 million, for a total of \$351 million of new value.

BANKRUPTCY ADVISORY SERVICES

As part of the bankruptcy process, SH&E professionals evaluated and reconciled claims, developed feasibility and liquidation analyses, and supported motions before the court. SH&E professionals have helped develop expert witness testimony are prepared to testify in relation to the case.

CONTINUING ASSISTANCE

SH&E continues to assist Hawaiian Airlines with the implementation of its business plan. Recent efforts included forecasts for new route opportunities, operational modeling and ongoing analysis for labor negotiations. This autumn, SH&E will work with Hawaiian to optimize web pricing and revenue management as part of a broader strategy to move to low-fare-carrier distribution models.