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Interviews & News!

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With The Emergence Of Many Low-Cost Carriers Looking To Keep Their Own Costs Low And Out Sourcing Maintenance, Repair And Overhaul (MRO), ExelTech Aerospace Is In The Right Place At The Right Time



**Aerospace
Aircraft Maintenance
(XLT-TSXV)**

ExelTech Aerospace Inc.

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**Roland Blais
Chief Financial Officer**

BIO:

Mr. Blais is an accountant with over 33 years' experience, including as CFO for numerous public companies. A native of Montreal originally, Mr. Blais comes to ExelTech Aerospace from one of its clients, LIAT Airlines of Antigua, West Indies where he was Chief Financial Officer. Operating a large fleet of Dash 8 regional turboprops on frequent services throughout the region, LIAT is the national airline of 11 eastern Caribbean states, including Barbados, Grenada, Guyana, and Trinidad. Prior to this, Mr. Blais was CFO of Royal Aviation, a Montreal-based company listed on the Toronto Stock Exchange. Mr. Blais has substantial experience in the area of merger and acquisitions, primarily through his position as CFO with the Kaufel Group, a company listed on the Montreal and Toronto Stock Exchanges at the time, where he was a key architect of that company's growth and the successful integration of acquired operations. Mr. Blais has also operated his own accounting firm.

Company Profile:

ExelTech Aerospace is a first tier maintenance, repair and overhaul (MRO) company, ranked among the world's most productive aircraft maintenance organizations, consistently delivering timely, high quality, cost-effective service to airlines, OEMs and leasing companies.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Blais, what attracted you to ExelTech?

Mr. Blais: "I have been in the aviation industry for the last seven to eight years and it is an offshoot of the aviation industry in the sense that we do heavy regular maintenance on aircraft. The aviation industry is an industry apart from any other in the sense that it is very dynamic."

CEOCFO: What is the vision for ExelTech?

Mr. Blais: "The vision for ExelTech Aerospace today is a combination of growth with profitability whereby we would like to become the largest maintenance, repair and overhaul (MRO) shop, over the next four years with operations wherever we feel it should be done. As an example right now we are only in the province of Quebec, we will be looking for growth in the US, Caribbean, Europe or India depending on the situation when the time comes."

CEOCFO: How many countries are you in?

Mr. Blais: "We do work for aircraft from major countries around the world in the

sense that at different times we have done work for 42 different airlines or lessors from up to 8 countries. On the most part, we do work for American airlines and/or lessors."

CEOCFO: Do you have long-term contracts with airlines?

Mr. Blais: "We have both long-term and short-term; the ideal mix would be somewhere around 70/30. We have a long-term contract with the Province of Quebec in regards to their water bombers and this is a five-year contract. We have another contract with Air Wisconsin, which is a major regional jet operator in the US. Again, it is a five-year contract. Some of the other contracts will be anywhere from a year to three and then, we also service smaller customers which also require heavy maintenance. We try to cover ourselves with long-term contracts because it makes for increased efficiency."

CEOCFO: Please tell us a bit about the industry in general, and your place in it.

Mr. Blais: "The industry is a vibrant industry in the sense that what has happened in the last four or five years with the low-cost carriers coming in, everybody is looking at minimizing cost, therefore to carry a total maintenance operation which does the heavy checks does not become financially efficient for the carrier because you may do five but you would have to carry the staff all year long. The idea is to minimize the hiring of mechanics and engineers in that domain and to farm out that type of work to somebody who does that for a living who is a pro in doing it, again depending on the aircraft type. Also what we are seeing in the industry here in North America as

well as Europe is slowly the decrease in the availability of trade personnel. The equilibrium of trade to university candidates should reestablish itself in the next four or five years.”

CEOCFO: Is there much consolidation in the industry?

Mr. Blais: “There has been a fair amount of consolidation over the last two or three years. We anticipate more consolidation in the industry, as time progresses. In the last couple of months it has been quiet with what has transpired worldwide with the asset-backed paper and the sub-prime mortgages so it kind of pulls everything in a band for a moment, but we expect increased consolidation within the industry to continue.”

CEOCFO: Are acquisitions part of your strategies going forward?

Mr. Blais: “Our strategy will be looking at it depending on where the situation is. It could be an acquisition, could be a merger, or it could be a joint venture. Everything is possible given the right opportunity”

CEOCFO: How do you plan to grow?

Mr. Blais: “Internally, we are growing in that we are presently building a new hangar in Montreal that has approximately 30% more capacity. Secondly, we are looking at potential growth through acquisitions and/or mergers with other players within the market place whether it is in the Caribbean, South America, Europe or the US. Eventual growth will be a combination of both.”

CEOCFO: Why should airlines be choosing ExelTech, what sets you apart?

Mr. Blais: “What sets us apart is the service we offer, the timely delivery of the aircraft and the price we charge. Everyday that there is a delay in the delivery of

an aircraft, it costs money to the airline. Our track record has been very good on delivering the aircraft on time which appeases the airline. The quality of work is excellent and our pricing is very competitive. So on that basis, that is what the customer is looking for. They want to get an aircraft that is safe, reliable, on time so they can put it in the air so they can fly it and make money.”

CEOCFO: Is there much new technology in aircraft maintenance?

Mr. Blais: “The technologies and a lot of the rules and regulations are set up by the aircraft manufacturer. We are always

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trying to be at the forefront of technology. We are enhancing our systems and procedures; it is continuous training in so far as there are new directives that do come out on different aircraft types that people have to be aware of. Our employees go through training continuously. We have in-house trainers and you can never go a month without somebody being trained whether it is new people, people who are there, and/or people who want to be promoted.

CEOCFO: What is the financial picture for you today?

Mr. Blais: “We are sitting quite well so far as cash in the bank is concerned since we did an offering last May that raised \$

14 million. The only problem that we have now is what has transpired in foreign exchange vis-a-vis the value of Canadian/US dollar. We do approximately 80% of our business in US dollars, which is the currency of the aviation industry. Therefore, now it is more difficult getting the bottom line to where we want it to be from a net-profit or an EBITDA perspective. We are working on it in order to maximize our economies of scale and minimize our inefficiencies. This is taking a bit of time and we are looking forward to going into the new hangar which basically has the same cost structure as our two existing hangars but will give us 30% additional capacity.”

CEOCFO: Why should potential investors be interested and what might they overlook that they should understand about ExelTech?

Mr. Blais: “We are on the Venture Exchange. As far as I am concerned, we are underpriced, we are trading at \$0.22 a share. We feel that eventually we will do a share consolidation and get onto the big board of the TSX, but everything has to come in due course. If people

are looking at a long-term investment, not short-term of three to six months, I believe that the return on the investment would be quite decent in so far as potential investors would be concerned.”

CEOCFO: What should readers remember most about ExelTech?

Mr. Blais: “A Canadian operation that started from grassroots which has grown substantially. We will be close to \$55 million this year. Our growth has been between 30 and 50% over the last four years. We will continue to grow, we are undervalued with very capable employees and we offer good service, on-time delivery for a very competitive price.”

