Airfinance Journal

Seabury is a banking and consulting firm that offers answers to problems in the aviation sector worldwide. JoAnn De Luna speaks to chief executive officer, John Luth, about how the company can help you.

RESTRUCTURING SEABURY

When your profits are down and it does not look good, who are you going to call? No, not Ghostbusters – call Seabury, the global investment banking and advisory firm for a full-service consulting experience.

The company offers a range of services to deal with the gamut of issues that can arise in the aviation and aerospace industries to help its customers through difficult periods of all scales and sizes.

With its more than 175 employees – most with backgrounds as former airline executives, bankers and manufacturers – the firm is there for clients, especially when they might need a bit of tough love.

Henri Courpron, Seabury's president, says: "What makes us special is that we have a strong focus on aviation and aerospace, so when you're dealing with Seabury, you deal with people who are very current on the market."

A need to fill

Seabury, established in 1995, offers advising services in investment banking, restructuring and corporate recovery, management consulting, IT development and employment. Its headquarters are in New York City, but it also has offices in Los Angeles, California; Vienna, Austria; Hong Kong; and it opened a new office in London, England, earlier this year.

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John Luth, Seabury's founding partner and chief executive officer, also has extensive experience in the airline industry. He held various positions at Continental Airlines beginning in 1989, including senior vice-president, finance, and chief financial officer.

While at Continental Luth managed the restructuring of $9 billion-worth of liabilities, negotiated more than $8 billion of firm and option orders for aircraft, and raised $450 million-worth of equity and long-term debt capital.

He also held positions in the investment banking division of Manufacturers Hanover Trust Company and the corporate finance division of the treasurer's department of Exxon Corporation in New York.

Luth prides himself on knowing the industry, and he knew what it needed.

"I saw that there was a lack of an integrated advisory firm that had investment banking and restructuring, as well as consulting, capabilities—all of which must be brought to bear in difficult situations where there's a need to change quickly," Luth says. "I saw a particular need and opportunity and thankfully so did our clients. That led to an early rapid growth of our firm."

Rapid expansion

Continental Airlines and Boeing were Luth's first clients when the firm began offering its financial restructuring. In 1996 Seabury added different servic-

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es that now comprise the Seabury Group. Luth says he never imagined the company would grow to this size and global reach, and it was never one of his objectives to grow it this big.

"The growth in size, diversity of capabilities and geographical reach came in response, as much as by design, to trying to keep up with the needs of our clients," he adds.

It added aircraft advisory and aviation investment banking services in 1996. Between 2002 through 2004 IT development, airline planning, consulting and financial structured products joined the roster. Most recently it added cargo, asset management of aircraft, aerospace and human capital.

In the past three or four years Seabury has grown primarily in Europe, the Middle East and Asia, the regions that represent about 35% of its business, although Luth says it is approaching 40%. The remaining 65% is spread between North America and Europe aviation and aerospace.

Driving change

Many of the products added have been in response to major world events, such as the terrorist attacks on the US on September 11 2001, fuel price swings and the recent financial crisis. As such events have transformed the way the world and aviation operate, airlines have had to learn how to adapt their businesses.

Companies seek Seabury's services for specific reasons, but the firm offers a full-service approach to customers' needs because many of the issues are interrelated. The most common areas of support are for airlines struggling with liquidity, companies which are financially sound, but want to become more efficient, aircraft advisory and rebounding from strategy advising.

"We don't just offer a Bandaid approach to liquidity, but a more comprehensive approach. We look at changes in an airline's cost structure as a means of driving more efficiencies, to cover external cost pressures—such as higher fuel prices—by changing network design, fleet optimisation and realigning the rest of the airline's business," Luth says.

Tough love

Before Seabury advised South African Airlines (SAA) in 2007, Chris Smyth, the carrier's acting chief executive officer, described the airline as one that had been problematic for many years. The state-owned airline, which operates 55 aircraft and serves about seven million passengers a year, was making losses of $120 million in 2006.

Smyth says SAA had hired several consulting companies in the past to help turn the business around, but without permanent success. Finally SAA called on Seabury.

"While the methodology used by Seabury to identify potential profit improvement initiatives was not markedly different from previous firms, the difference was in the implementation. Seabury was able to drive these changes through, which is the most difficult part," Smyth says. "It was tough love and for them it must be quite difficult and frustrating at times."

For one, Seabury implemented a cash conservation strategy where even the chief executive officer had to get approval from Seabury to spend money. "Perhaps one could argue that perhaps they over did it, and certainly there was considerable frustration over this within the airline, but the point is they were able to save a huge amount of cash and probably saved the airline from running out of cash at the time," Smyth says. "That's where things are different."

Seabury downsized SAA's employees from 11,000 to 8,000 and discarded unprofitable aircraft. Seabury further changed the carrier's airport operations to improve its on-time performance from 60% to 90%. "Most of the Seabury people were Continental people so they had far more industry knowledge than I have seen in other consultants. They knew what it was like to work in an airline and what it takes to change an airline," Smyth says.

He adds: "I can safely say that this was the most successful turnaround that SAA has undergone in recent times."

Seamlessly United

Seabury is not only brought in during times of crisis. After not ordering aircraft since 1998, United Airlines called on Seabury when it was finally ready to replace its fleet of 767s and 747s.

"Right at the outset of the construct of the RFP [request for proposals] itself, they were hugely helpful. They bring depth of experience in that activity," says Glenn Tilton, United Airlines' chairman, president and chief executive officer.

Seabury was also involved in framing United's negotiation and ensuring the airline got the best possible deal. Rather than awarding either Boeing or Airbus the entire order as United had planned, the airline, with Seabury's guidance, ultimately decided on a firm order of 25 Boeing aircraft with 50 options and 25 Airbus aircraft with 50 options, increasing competition between the two manufacturers.

"No doubt they made the process more successful than it otherwise would've been," says Tilton.

One of the reasons Tilton says it was so successful was because of Seabury's ability to integrate with its clients to work smoothly.

"It's very difficult for consulting companies to unobtrusively step into a team environment with the client without creating some separation between the two groups," he says. "We were aligned from the beginning and they became members of the team."

Tilton says since the request for proposals peers worldwide have asked him if he would recommend Seabury. His answer? "Unequivocally, yes." ■