

ERA GROUP INC.  
 Form 10-Q  
 May 01, 2018  
Table of Contents

UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018 or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to  
 Commission file number 1-35701  
 Era Group Inc.  
 (Exact Name of Registrant as Specified in Its Charter)

Delaware 72-1455213  
 (State or Other Jurisdiction of (IRS Employer  
 Incorporation or Organization) Identification No.)

818 Town & Country Blvd., Suite 200  
 Houston, Texas 77024  
 (Address of Principal Executive Offices) (Zip Code)  
 713-369-4700  
 (Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

|                         |                          |                   |                                     |   |                          |                           |                          |                         |                                     |
|-------------------------|--------------------------|-------------------|-------------------------------------|---|--------------------------|---------------------------|--------------------------|-------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> | Non-accelerated filer                         | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> | Emerging growth company | <input checked="" type="checkbox"/> |
|                         |                          |                   |                                     | (Do not check if a smaller reporting company) |                          |                           |                          |                         |                                     |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edgar Filing: ERA GROUP INC. - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The total number of shares of common stock, par value \$0.01 per share, outstanding as of April 27, 2018 was 21,688,376. The Registrant has no other class of common stock outstanding.

---

Table of Contents

ERA GROUP INC.

Table of Contents

|   |           |
|---|-----------|
| Part I. <u>Financial Information</u>  | <u>2</u>  |
| Item 1. <u>Financial Statements (Unaudited)</u>   | <u>2</u>  |
| <u>Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017</u>   | <u>2</u>  |
| <u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2018 and 2017</u>                                     | <u>3</u>  |
| <u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2018 and 2017</u>                    | <u>4</u>  |
| <u>Condensed Consolidated Statement of Changes in Redeemable Noncontrolling Interest and Equity for the Three Months Ended March 31, 2018</u> | <u>5</u>  |
| <u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017</u>                                     | <u>6</u>  |
| <u>Notes to Condensed Consolidated Financial Statements</u>   | <u>7</u>  |
| Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>  | <u>24</u> |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>   | <u>34</u> |
| Item 4. <u>Controls and Procedures</u>  | <u>35</u> |
| Part II. <u>Other Information</u>   | <u>36</u> |
| Item 1A. <u>Risk Factors</u>  | <u>36</u> |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>  | <u>36</u> |
| Item 6. <u>Exhibits</u>   | <u>36</u> |

Table of Contents

## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## ERA GROUP INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except share amounts)

|   | March 31,<br>2018 | December 31,<br>2017 |
|---|-------------------|----------------------|
| <b>ASSETS</b>   |                   |                      |
| Current assets:   |                   |                      |
| Cash and cash equivalents (including \$1,768 and \$1,699 from VIEs in 2018 and 2017, respectively)  | \$ 16,553         | \$ 13,583            |
| Receivables:  |                   |                      |
| Trade, operating, net of allowance for doubtful accounts of \$1,058 and \$1,196 in 2018 and 2017, respectively (including \$6,109 and \$5,854 from VIEs in 2018 and 2017, respectively) | 34,447            | 33,840               |
| Trade, dry-leasing  | 4,253             | 5,124                |
| Tax receivables (including \$3,465 and \$2,828 from VIEs in 2018 and 2017, respectively)  | 3,466             | 2,829                |
| Other (including \$939 and \$257 from VIEs in 2018 and 2017, respectively)  | 4,168             | 1,623                |
| Inventories, net (including \$32 and \$39 from VIEs in 2018 and 2017, respectively)   | 20,830            | 21,112               |
| Prepaid expenses (including \$66 and \$40 from VIEs in 2018 and 2017, respectively)   | 2,804             | 1,203                |
| Escrow deposits   | —                 | 3,250                |
| Total current assets  | 86,521            | 82,564               |
| Property and equipment (including \$977 and \$1,951 from VIEs in 2018 and 2017, respectively)   | 949,064           | 972,942              |
| Accumulated depreciation (including \$283 and \$487 from VIEs in 2018 and 2017, respectively)   | (297,341 )        | (299,028 )           |
| Property and equipment, net   | 651,723           | 673,914              |
| Equity investments and advances   | 30,445            | 30,056               |
| Intangible assets   | 1,118             | 1,122                |
| Other assets (including \$71 and \$61 from VIEs in 2018 and 2017, respectively)   | 4,798             | 4,441                |
| Total assets  | \$ 774,605        | \$ 792,097           |
| <b>LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST<br/>AND STOCKHOLDERS' EQUITY</b>   |                   |                      |
| Current liabilities:  |                   |                      |
| Accounts payable and accrued expenses (including \$2,100 and \$1,807 from VIEs in 2018 and 2017, respectively)  | \$ 11,084         | \$ 16,421            |
| Accrued wages and benefits (including \$1,629 and \$1,397 from VIEs in 2018 and 2017, respectively)   | 6,530             | 8,264                |
| Accrued interest  | 3,485             | 606                  |
| Accrued income taxes  | 46                | 28                   |
| Accrued other taxes (including \$481 and \$600 from VIEs in 2018 and 2017, respectively)  | 1,856             | 1,810                |
| Accrued contingencies (including \$892 and \$858 from VIEs in 2018 and 2017, respectively)  | 892               | 859                  |
| Current portion of long-term debt (including \$772 and \$1,073 from VIEs in 2018 and 2017, respectively)  | 2,296             | 2,736                |
| Other current liabilities (including \$8 and \$8 from VIEs in 2018 and 2017, respectively)  | 3,166             | 1,720                |
| Total current liabilities   | 29,355            | 32,444               |
| Long-term debt (including \$467 and \$1,903 from VIEs in 2018 and 2017, respectively)   | 188,470           | 202,174              |
| Deferred income taxes   | 105,865           | 106,598              |

Edgar Filing: ERA GROUP INC. - Form 10-Q

|   |           |            |
|---|-----------|------------|
| Other liabilities   | 1,596     | 1,434      |
| Total liabilities   | 325,286   | 342,650    |
| Commitments and contingencies (see Note 8)  |           |            |
| Redeemable noncontrolling interest  | 3,603     | 3,766      |
| Equity:   |           |            |
| Common stock, \$0.01 par value, 60,000,000 shares authorized; 21,688,959 and 21,319,150<br>outstanding in 2018 and 2017, respectively, exclusive of treasury shares | 219       | 215        |
| Additional paid-in capital  | 445,174   | 443,944    |
| Retained earnings   | 3,169     | 4,363      |
| Treasury shares, at cost, 215,141 and 215,141 shares in 2018 and 2017, respectively   | (2,951 )  | (2,951 )   |
| Accumulated other comprehensive income, net of tax  | 105       | 110        |
| Total equity  | 445,716   | 445,681    |
| Total liabilities, redeemable noncontrolling interest and stockholders' equity  | \$774,605 | \$ 792,097 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

ERA GROUP INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (unaudited, in thousands, except share and per share amounts)

|  | Three Months Ended<br>March 31, |            |
|--|---------------------------------|------------|
|  | 2018                            | 2017       |
| Revenues:  |                                 |            |
| Operating revenues   | \$54,750                        | \$ 51,134  |
| Dry-leasing revenues   | 2,572                           | 3,393      |
| Total revenues   | 57,322                          | 54,527     |
| Costs and expenses:  |                                 |            |
| Operating  | 37,660                          | 37,757     |
| Administrative and general                                     | 12,071                          | 10,381     |
| Depreciation and amortization                                  | 10,354                          | 11,554     |
| Total costs and expenses                                       | 60,085                          | 59,692     |
| Gains on asset dispositions, net                               | 4,414                           | 109        |
| Operating income (loss)  | 1,651                           | (5,056 )   |
| Other income (expense):  |                                 |            |
| Interest income  | 146                             | 250        |
| Interest expense   | (4,576 )                        | (3,589 )   |
| Foreign currency gains, net                                    | 74                              | 28         |
| Gain on debt extinguishment                                    | 175                             | —          |
| Other, net   | (8 )                            | 12         |
| Total other income (expense)                                   | (4,189 )                        | (3,299 )   |
| Loss before income taxes and equity earnings                   | (2,538 )                        | (8,355 )   |
| Income tax benefit   | (738 )                          | (2,103 )   |
| Loss before equity earnings                                    | (1,800 )                        | (6,252 )   |
| Equity earnings, net of tax                                    | 443                             | 465        |
| Net loss   | (1,357 )                        | (5,787 )   |
| Net loss attributable to noncontrolling interest in subsidiary | 163                             | 167        |
| Net loss attributable to Era Group Inc.                        | \$(1,194 )                      | \$(5,620 ) |
| Loss per common share, basic and diluted                       | \$(0.06 )                       | \$(0.27 )  |
| Weighted average common shares outstanding, basic and diluted: | 21,003,777                      | 20,509,463 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

3

---

Table of Contents

ERA GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(LOSS)

(unaudited, in thousands)

|  | Three Months<br>Ended<br>March 31, |           |
|--|------------------------------------|-----------|
|  | 2018                               | 2017      |
| Net loss   | \$(1,357)                          | \$(5,787) |
| Other comprehensive loss:  |                                    |           |
| Foreign currency translation adjustments                                 | (5 )                               | (2 )      |
| Income tax benefit   | —                                  | —         |
| Total other comprehensive loss   | (5 )                               | (2 )      |
| Comprehensive loss   | (1,362 )                           | (5,789 )  |
| Comprehensive loss attributable to noncontrolling interest in subsidiary | 163                                | 167       |
| Comprehensive loss attributable to Era Group Inc.                        | \$(1,199)                          | \$(5,622) |



The accompanying notes are an integral part of these condensed consolidated financial statements.

4

---

Table of Contents

## ERA GROUP INC.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN REDEEMABLE NONCONTROLLING INTEREST AND EQUITY

(unaudited, in thousands)

|  | Era Group Inc. Stockholders' Equity      |                 |                                  |                      |                    |   |                 |
|--|--|-----------------|----------------------------------|----------------------|--------------------|---|-----------------|
|  | Redeemable<br>Noncontrolling<br>Interest | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Treasury<br>Shares | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Equity |
| December 31, 2017  | \$ 3,766                                 | \$215           | \$443,944                        | \$ 4,363             | \$(2,951)          | \$ 110  | \$445,681       |
| Issuance of common stock:                                      |  |                 |                                  |                      |                    |   |                 |
| Restricted stock grants  | —  | 3               | (3                               | ) —                  | —                  | —   | —               |
| Employee Stock Purchase Plan                                   | —  | 1               | 483                              | —                    | —                  | —   | 484             |
| Share award amortization                                       | —  | —               | 750                              | —                    | —                  | —   | 750             |
| Net loss   | —  | —               | —                                | (1,357               | ) —                | —   | (1,357          |
| Net loss attributable to redeemable<br>noncontrolling interest | (163                                     | ) —             | —                                | 163                  | —                  | —   | 163             |
| Currency translation adjustments, net<br>of tax                | —  | —               | —                                | —                    | —                  | (5  | ) (5            |
| March 31, 2018   | \$ 3,603                                 | \$219           | \$445,174                        | \$ 3,169             | \$(2,951)          | \$ 105  | \$445,716       |

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

---

Table of Contents

ERA GROUP INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (unaudited, in thousands)

|  | Three Months<br>Ended<br>March 31, |            |
|--|------------------------------------|------------|
|  | 2018                               | 2017       |
| Cash flows from operating activities:  |                                    |            |
| Net loss   | \$(1,357 )                         | \$(5,787 ) |
| Adjustments to reconcile net loss to net cash provided by operating activities:                      |                                    |            |
| Depreciation and amortization  | 10,354                             | 11,554     |
| Share-based compensation   | 750                                | 1,198      |
| Bad debt expense, net  | —                                  | 38         |
| Non-cash penalty and interest expenses   | 607                                | —          |
| Gains on asset dispositions, net   | (4,414 )                           | (109 )     |
| Debt discount amortization   | 61                                 | 57         |
| Amortization of deferred financing costs   | 704                                | 282        |
| Foreign currency gains, net  | (107 )                             | (76 )      |
| Gain on debt extinguishment, net   | (175 )                             | —          |
| Deferred income tax benefit  | (737 )                             | (2,099 )   |
| Equity earnings, net of tax  | (443 )                             | (465 )     |
| Changes in operating assets and liabilities:   |                                    |            |
| Increase in receivables  | (2,783 )                           | (1,700 )   |
| Increase in prepaid expenses and other assets  | (1,502 )                           | (537 )     |
| Increase (decrease) in accounts payable, accrued expenses and other liabilities                      | (1,988 )                           | 1,897      |
| Net cash provided by (used in) operating activities  | (1,030 )                           | 4,253      |
| Cash flows from investing activities:  |                                    |            |
| Purchases of property and equipment  | (3,784 )                           | (1,005 )   |
| Proceeds from disposition of property and equipment  | 19,497                             | 126        |
| Investments in and advances to equity investees  | —                                  | (114 )     |
| Principal payments on notes due from equity investees  | 54                                 | 185        |
| Principal payments on third party notes receivable   | 76                                 | 56         |
| Net cash provided by (used in) investing activities  | 15,843                             | (752 )     |
| Cash flows from financing activities:  |                                    |            |
| Proceeds from Revolving Credit Facility  | —                                  | 2,000      |
| Long-term debt issuance costs  | (1,295 )                           | —          |
| Payments on long-term debt   | (14,259 )                          | (6,581 )   |
| Proceeds from share award plans  | 484                                | 463        |
| Purchase of treasury shares  | —                                  | (51 )      |
| Net cash used in financing activities  | (15,070 )                          | (4,169 )   |
| Effects of exchange rate changes on cash and cash equivalents  | (23 )                              | 57         |
| Net decrease in cash, cash equivalents and restricted cash   | (280 )                             | (611 )     |
| Cash, cash equivalents and restricted cash, beginning of period                                      | 16,833                             | 30,727     |
| Cash, cash equivalents and restricted cash, end of period  | \$16,553                           | \$30,116   |
| Supplemental cash flow information:  |                                    |            |
| Cash paid for interest, net of capitalized interest of \$97 and \$432 in 2018 and 2017, respectively | \$983                              | \$413      |

The accompanying notes are an integral part of these condensed consolidated financial statements.

6

---

Table of Contents

ERA GROUP INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

## 1. BASIS OF PRESENTATION AND ACCOUNTING POLICY

The condensed consolidated financial statements include the accounts of Era Group Inc. and its consolidated subsidiaries. Unless the context otherwise indicates, any reference in this Quarterly Report on Form 10-Q to the “Company” refers to Era Group Inc. and its consolidated subsidiaries, and any reference to “Era Group” refers to Era Group Inc. without its subsidiaries. The condensed consolidated financial information for the three months ended March 31, 2018 and 2017 has been prepared by the Company and has not been audited by its independent registered public accounting firm. In the opinion of management, all adjustments (consisting of normal recurring adjustments) have been made to fairly present the Company’s financial position as of March 31, 2018, its results of operations for the three months ended March 31, 2018 and 2017, its comprehensive income for the three months ended March 31, 2018 and 2017, its changes in equity for the three months ended March 31, 2018, and its cash flows for the three months ended March 31, 2018 and 2017. Results of operations for the interim periods presented are not necessarily indicative of operating results for the full year or any future periods.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States (“U.S.”) have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Certain of the Company’s operations are subject to seasonal factors. Operations in the U.S. Gulf of Mexico are often at their highest levels from April to September, as daylight hours increase, and are at their lowest levels from November to February, as daylight hours decrease. The Company’s Alaskan operations also see an increase during May to September, as its firefighting operations occur during this time and daylight hours are significantly longer.

**Basis of Consolidation.** The consolidated financial statements include the accounts of Era Group Inc., its wholly and majority-owned subsidiaries and entities that meet the criteria of Variable Interest Entities (“VIEs”) of which the Company is the primary beneficiary. All significant inter-company accounts and transactions are eliminated in consolidation. Aeróleo Taxi Aereo S/A (“Aeróleo”) is a VIE of which the Company is the primary beneficiary.

**Reclassification.** Certain amounts reported for prior periods in the consolidated financial statements have been reclassified to conform with the current period’s presentation.

**Supplemental Cash Flow Information.** The following table sets forth the company’s reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Statement of Cash Flows (in thousands):

|  | March 31, December 31, 2017 |           | March 31, December 31, 2016 |           |
|--|-----------------------------|-----------|-----------------------------|-----------|
|  | 2018                        | 2017      | 2017                        | 2016      |
| Cash and cash equivalents  | \$ 16,553                   | \$ 13,583 | \$ 26,339                   | \$ 26,950 |
| Restricted cash <sup>(1)</sup>   | —                           | 3,250     | 3,777                       | 3,777     |
| Total cash, cash equivalents and restricted cash shown in the Consolidated Statement of Cash Flows | \$ 16,553                   | \$ 16,833 | \$ 30,116                   | \$ 30,727 |

(1) Restricted cash represents amounts deposited in Escrow accounts at the end of each period. Escrow deposits are shown as a separate line item in the consolidated balance sheet.

**Revenue Recognition.** The Company recognizes revenues for flight services and emergency response services with the passing of each day as the Company has the right to consideration from its customers in an amount that corresponds directly with the value to the Company’s customer of the performance completed to date. Therefore, the Company has elected to exercise the right to invoice practical expedient in its adoption of ASC 606. The right to invoice represents a method for recognizing revenue over time using the output measure of “value to the customer” which is an objective measure of an entity’s performance in a contract. The Company typically invoices its customers on a monthly basis for revenues earned during the prior month with payment terms of 30 days. The Company’s customer arrangements do not contain any significant financing component for its customers.

Trade Receivables. Customers are primarily international, independent and major integrated exploration, development and production companies, international helicopter operators and the U.S. government. Customers are typically granted credit on a short-term basis, and related credit risks are considered minimal. The Company routinely reviews its trade receivables and makes provisions for probable doubtful accounts; however, those provisions are estimates and actual results could differ from those estimates and those differences may be material.

7

---

Table of Contents

**New Accounting Standards - Adopted.** The Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers,” and its amendments issued by the provisions of ASU No. 2016-08, “Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” ASU No. 2016-10, “Identifying Performance Obligations and Licensing,” ASU No. 2016-12, “Narrow-Scope Improvements and Practical Expedients,” and ASU No. 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue From Contracts with Customers,” collectively Accounting Standards Codification (ASC) Topic 606 beginning January 1, 2018. ASC Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from all contracts with customers except where revenues are in scope of another accounting standard. The ASU superseded the revenue recognition requirements in ASC Topic 605, “Revenue Recognition,” and most industry-specific guidance. ASC Topic 606 sets forth a five-step model for determining when and how revenue is recognized. Under the model, an entity will be required to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods and services. The adoption of ASC Topic 606 did not have a material impact on the Company’s consolidated financial statements. See Note 10 - Revenues for additional information relating to Revenue from Contracts with Customers.

The Company adopted the provisions of FASB ASU No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments,” beginning January 1, 2018. This ASU clarifies how certain cash receipts and cash payments should be classified and presented in the statement of cash flows. The Company has made an accounting policy election to classify distributions received from equity method investees using the nature of the distribution approach which classifies distributions received from investees as either cash inflows from operating activities or cash inflows from investing activities based on the nature of the activities of the investee that generated the distribution. Adoption of this ASU did not have a material impact on the Company’s historical financial statements.

In October 2016, the FASB issued ASU 2016-16 - Income Taxes, which requires entities to recognize income tax consequences of intra-entity transfers of assets, other than inventory, when the transfer occurs rather than when the asset is sold to a third party as is the case under current GAAP. ASU 2016-16 will be effective for annual reporting periods beginning after December 15, 2017 including interim periods within that period. The Company adopted ASU 2016-16 effective January 1, 2018, and such adoption did not have an impact on its consolidated financial statements. The Company adopted the provisions of FASB ASU No. 2016-18, “Restricted Cash,” beginning January 1, 2018. This ASU requires amounts deemed restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows, and presentation should permit a reconciliation when cash, cash equivalents and restricted cash are presented in more than one line item on the balance sheet. The Company had amounts deposited in escrow accounts as discussed further below in Note 3. These amounts are deemed restricted cash and are included in the “Escrow deposits” line of our consolidated balance sheet. The impact of adopting this ASU has been included as adjustments in the prior period statement of cash flows.

In May 2017, the FASB issued ASU 2017-09 - Compensation - Stock Compensation: Scope of Modification Accounting, which is designed to reduce diversity in practice and complexity when accounting for changes in the terms of a share-based payment award. ASU 2017-09 will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that period, and early adoption is permitted for any interim period for which financial statements have not yet been issued. The Company adopted ASU 2017-09 effective January 1, 2018, and such adoption did not have a material impact on its consolidated financial statements.

**New Accounting Standards - Not Yet Adopted.** In February 2016, the FASB issued ASU No. 2016-02, “Leases” (ASU No. 2016-02), which establishes comprehensive accounting and financial reporting requirements for leasing arrangements. This ASU supersedes the existing requirements in FASB ASC Topic 840, “Leases,” and requires lessees to recognize substantially all lease assets and lease liabilities on the balance sheet. The provisions of ASU No. 2016-02 also modify the definition of a lease and outline requirements for recognition, measurement, presentation and disclosure of leasing arrangements by both lessees and lessors. The ASU is effective for interim and annual periods beginning after December 15, 2018, and early adoption of the standard is permitted. Entities are required to adopt the ASU using a modified retrospective approach, subject to certain optional practical expedients, and apply the provisions of ASU No. 2016-02 to leasing arrangements existing at or entered into after the earliest comparative



period presented in the financial statements. In January 2018, ASU No. 2016-02 was amended by the provisions of ASU No. 2018-01, "Land Easement Practical Expedient for Transition to Topic 842." We plan to adopt ASU No. 2016-02, as amended, effective January 1, 2019, and continue to evaluate the ASU to determine the impact of adoption on our consolidated financial statements and disclosures, accounting policies and systems, business processes, and internal controls. The Company also continues to monitor proposals issued by the FASB to clarify the ASU and certain industry implementation issues. While the Company's evaluation of ASU No. 2016-02 and related implementation activities are ongoing, the Company expects the adoption of the ASU to have a material impact on our consolidated financial statements and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments" (ASU No. 2016-13), which sets forth the current expected credit loss model, a new forward-looking impairment model for certain financial

Table of Contents

instruments based on expected losses rather than incurred losses. The ASU is effective for interim and annual periods beginning after December 15, 2019, and early adoption of the standard is permitted. Entities are required to adopt ASU No. 2016-13 using a modified retrospective approach, subject to certain limited exceptions. The Company is currently evaluating the impact of the adoption of this ASU.

**2. FAIR VALUE MEASUREMENTS**

The fair value of an asset or liability is the price that would be received to sell an asset or transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value and defines three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs derived from observable market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

As of March 31, 2018 and December 31, 2017, the Company did not have any assets or liabilities that are measured at fair value on a recurring basis.

The estimated fair values of the Company's other financial assets and liabilities as of March 31, 2018 and December 31, 2017 were as follows (in thousands):

|   | Carrying<br>Amount | Level<br>1 | Level 2     | Level<br>3 |
|---|--------------------|------------|-------------|------------|
| March 31, 2018                            |                    |            |             |            |
| <b>LIABILITIES</b>                        |                    |            |             |            |
| Long-term debt, including current portion | \$ 190,766         | \$         | -\$ 191,138 | \$ —       |

December 31, 2017

**LIABILITIES**

|   |            |    |             |      |
|---|------------|----|-------------|------|
| Long-term debt, including current portion | \$ 204,910 | \$ | -\$ 203,938 | \$ — |
|---|------------|----|-------------|------|

The carrying values of cash and cash equivalents, receivables and accounts payable approximate fair value. The fair value of the Company's long-term debt was estimated using discounted cash flow analysis based on estimated current rates for similar types of arrangements. Considerable judgment was required in developing certain of the estimates of fair value and, accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

**3. ESCROW DEPOSITS**

From time to time, the Company enters into Qualified Exchange Accommodation Agreements with third parties to meet the like-kind exchange requirements of Section 1031 of the Internal Revenue Code 1986, as amended (the "Code") and the provisions of Revenue Procedure 2000-37. In accordance with these provisions, the Company is permitted to deposit proceeds from the sale of assets into escrow accounts for the purpose of acquiring other assets and qualifying for the temporary deferral of taxable gains realized. Consequently, the Company establishes escrow accounts with financial institutions for the deposit of funds received on sales of equipment, which were designated for replacement property within a specified period of time. As of March 31, 2018, the Company did not have any balances deposited in a like-kind exchange escrow account. As of December 31, 2017, the Company had \$3.3 million deposited in a like-kind exchange escrow account. During the first quarter of 2018, the Company used \$2.8 million of the balance to make a final payment on a S92 heavy helicopter which completed the like-kind exchange transaction, and the remaining \$0.5 million was returned to the Company.

**4. ACQUISITIONS AND DISPOSITIONS**

**Capital Expenditures.** During the three months ended March 31, 2018, capital expenditures were \$3.8 million and consisted primarily of helicopter acquisitions, spare helicopter parts and capitalized interest. During the three months ended March 31, 2018 and 2017, the Company capitalized interest of \$0.1 million and \$0.4 million, respectively. As

of March 31, 2018 and December 31, 2017, construction in progress, which is a component of property and equipment, included capitalized interest of \$0.7 million and \$1.9 million, respectively. A summary of changes to the Company's operating helicopter fleet is as follows:

9

---

Table of Contents

Equipment Additions - During the three months ended March 31, 2018, the Company placed one S92 heavy helicopter into service. The Company had no helicopter acquisitions during the three months ended March 31, 2017. The Company places helicopters in service once completion work has been finalized and the helicopters are ready for use.

Equipment Dispositions - During the three months ended March 31, 2018, the Company sold or otherwise disposed of twelve helicopters, two operating facilities, and related property and equipment for proceeds of \$19.5 million and recognized gains of \$4.4 million. During the three months ended March 31, 2017, the Company sold or otherwise disposed of property and equipment for proceeds of \$0.1 million and recognized gains of \$0.1 million.

**5. VARIABLE INTEREST ENTITIES**

Aeróleo. The Company acquired a 50% economic and 20% voting interest in Aeróleo in 2011. As a result of liquidity issues experienced by Aeróleo, it is unable to adequately finance its activities without additional financial support from the Company, making it a VIE. The Company has the ability to direct the activities that most significantly affect Aeróleo's financial performance, making the Company the primary beneficiary. As a result, the Company consolidates Aeróleo's financial results.

The Company's condensed consolidated balance sheets at March 31, 2018 and December 31, 2017 include assets of Aeróleo totaling \$13.1 million and \$11.5 million, respectively. The distribution of these assets to Era Group and its subsidiaries other than Aeróleo is subject to restrictions. The Company's condensed consolidated balance sheets at March 31, 2018 and December 31, 2017 each include liabilities of Aeróleo of \$6.4 million and \$7.6 million, respectively. The creditors for such liabilities do not have recourse to Era Group or its subsidiaries other than Aeróleo.

**6. INCOME TAXES**

During the three months ended March 31, 2018 and 2017, the Company recorded income tax benefit of \$0.7 million and \$2.1 million, respectively, resulting in effective tax rates of 29.1% and 25.2%, respectively. The increase in effective tax rates is primarily due to the reversal of a previously reserved deposit following a favorable decision on a Brazilian customs dispute.

During the three months ended March 31, 2018 and 2017, there were no new uncertain tax positions identified. The Company's 2015 federal income tax return is currently under examination by the Internal Revenue Service.

Amounts accrued for interest and penalties associated with unrecognized income tax benefits are included in other expense on the condensed consolidated statements of operations. As of March 31, 2018 and December 31, 2017, the gross amount of liability for accrued interest and penalties related to unrecognized tax benefits was \$0.1 million.

As of March 31, 2018, the Company considers the accounting for the transition tax and other items to remain incomplete due to the forthcoming guidance and its ongoing analysis of its tax positions. As of March 31, 2018, the Company has not elected an accounting policy for the newly enacted global intangible low-taxed income ("GILTI") at this time. Recent FASB guidance indicates that accounting for GILTI either as part of deferred taxes or as a period cost are both applicable methods. Once further information is gathered and interpretation and analysis of the tax legislation evolves, the Company will make an appropriate accounting election. The Company expects to complete its analysis within the measurement period in accordance with SAB 118.

Table of Contents

## 7. LONG-TERM DEBT

The Company's borrowings as of March 31, 2018 and December 31, 2017 were as follows (in thousands):

|  | March 31,<br>2018 | December 31,<br>2017 |
|--|-------------------|----------------------|
| 7.750% Senior Notes (excluding unamortized discount) | \$ 144,828        | \$ 144,828           |
| Senior secured revolving credit facility             | 27,000            | 39,000               |
| Promissory notes                                     | 21,088            | 21,642               |
| Other  | 1,239             | 2,976                |
| Total principal balance on borrowings                | 194,155           | 208,446              |
| Portion due within one year                          | (2,296 )          | (2,736 )             |
| Unamortized debt issuance costs                      | (1,981 )          | (2,067 )             |
| Unamortized discount, net                            | (1,408 )          | (1,469 )             |
| Long-term debt                                       | \$ 188,470        | \$ 202,174           |

7.750% Senior Notes. On December 7, 2012, Era Group issued \$200.0 million aggregate principal amount of its 7.750% senior unsecured notes due December 15, 2022 (the "7.750% Senior Notes") and received net proceeds of \$191.9 million. Interest on the 7.750% Senior Notes is payable semi-annually in arrears on June 15<sup>th</sup> and December 15<sup>th</sup> of each year.

Revolving Credit Facility. On March 31, 2014, Era Group entered into the amended and restated senior secured revolving credit facility (the "Amended and Restated Revolving Credit Facility"). On March 7, 2018, Era Group entered into a Consent and Amendment No. 4 to the Amended and Restated Senior Secured Revolving Credit Facility Agreement (the "Amendment No. 4" and the Amended and Restated Revolving Credit Facility, as amended by Amendment No. 4, is referred to herein as the "Revolving Credit Facility") that, among other things, (a) reduced the aggregate principal amount of revolving loan commitments from \$200.0 million to \$125.0 million, (b) extended the agreement's maturity until March 31, 2021, (c) revised the definition of EBITDA to permit an add-back for certain litigation expenses related to the H225 helicopters, and (d) adjusted the maintenance covenant requirements to maintain an interest coverage ratio of not less than 1.75:1:00 and a senior secured leverage ratio of not more than 3.25:100.

The Revolving Credit Facility provides Era Group with the ability to borrow up to \$125.0 million, with a sub-limit of up to \$50.0 million for letters of credit, and matures in March 2021. Subject to the satisfaction of certain conditions precedent and the agreement by the lenders, the Revolving Credit Facility includes an "accordion" feature which, if exercised, will increase total commitments by up to \$50.0 million.

Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to, at Era Group's election, either a base rate or LIBOR, each as defined in the Revolving Credit Facility, plus an applicable margin. The applicable margin is based on the Company's ratio of funded debt to EBITDA, as defined in the Revolving Credit Facility, and ranges from 1.25% to 2.50% on the base rate margin and 2.25% to 3.50% on the LIBOR margin and has increased by 50 basis points at each tier from the previous amendment. The applicable margin as of March 31, 2018 was 2.50% on the base rate margin and 3.50% on the LIBOR margin. In addition, the Company is required to pay a quarterly commitment fee based on the average unfunded portion of the committed amount at a rate based on the Company's ratio of funded debt to EBITDA, as defined in the Revolving Credit Facility, that ranges from 0.375% to 0.500%. As of March 31, 2018, the commitment fee was 0.500%.

The obligations under the Revolving Credit Facility are secured by a portion of the Company's helicopter fleet and the Company's other tangible and intangible assets and are guaranteed by Era Group's wholly owned U.S. subsidiaries. The Revolving Credit Facility contains various restrictive covenants including an interest coverage ratio, a senior secured leverage ratio and an asset coverage ratio, each as defined in the Revolving Credit Facility, as well as other customary covenants including certain restrictions on the Company's ability to enter into certain transactions, including those that could result in the incurrence of additional indebtedness and liens, the making of loans, guarantees or investments, sales of assets, payments of dividends or repurchases of capital stock, and entering into transactions with affiliates. As of March 31, 2018, Era Group had \$27.0 million of outstanding borrowings under the Revolving Credit Facility and issued letters of credit of \$1.3 million. In connection with Amendment No. 4 entered into in 2018, the Company

wrote off previously incurred debt issuance costs of \$0.4 million and incurred additional debt issuance costs of \$1.3 million. Such costs are included in other assets on the condensed consolidated balance sheets and are amortized to interest expense in the condensed consolidated statements of operations over the life of the Revolving Credit Facility. Aeróleo Debt. During the three months ended March 31, 2018, the Company did not settle any tax disputes in Brazil. During the three months ended March 31, 2017, the Company settled certain tax disputes in Brazil totaling \$0.2 million. Such

Table of Contents

amounts are included in other debt in the table above and bear interest at a rate equal to the overnight rate as published by the Central Bank of Brazil.

During 2017, the Company settled certain tax disputes in Brazil under the Tax Regularization Settlement Special Program (known as Programa Especial de Regularização Tributária or “PERT”) and has agreed to make installment payments on the amounts due to the applicable taxing authorities. The installments are payable in Brazilian reals and bear interest at a rate equal to the overnight rate as published by the Central Bank of Brazil and will be paid over the next 16 to 56 months as of March 31, 2018. Such amounts are included in other debt in the table above.

During the three months ended March 31, 2018, the Company made payments, including scheduled payments, of \$1.7 million.

Promissory Notes. During the three months ended March 31, 2018 and 2017, the Company made scheduled payments on other long-term debt of \$0.6 million and \$0.4 million, respectively.

#### 8. COMMITMENTS AND CONTINGENCIES

Fleet. During the three months ended March 31, 2018, the Company cancelled two helicopter purchase agreements and recognized \$0.5 million of penalties on cancellation.

The Company’s unfunded capital commitments as of March 31, 2018 consisted primarily of agreements to purchase helicopters and totaled \$87.1 million, of which \$11.5 million is payable in 2018 with the balance payable through 2019. The Company also had \$1.3 million of deposits paid on options not yet exercised. The Company may terminate \$88.4 million of its total commitments, inclusive of deposits paid on options not yet exercised, without further liability other than liquidated damages of \$2.2 million in the aggregate.

Included in these commitments are orders to purchase three AW189 heavy helicopters and five AW169 light twin helicopters. The AW189 helicopters are scheduled to be delivered in 2019. Delivery dates for the AW169 helicopters have yet to be determined. In addition, the Company had outstanding options to purchase up to ten additional AW189 helicopters. If these options are exercised, the helicopters would be scheduled for delivery in 2019 and 2020.

Brazilian Tax Disputes. The Company is disputing assessments of approximately \$7.2 million in taxes, penalties and interest levied by the municipal authorities of Rio de Janeiro (for the period between 2000 to 2005) and Macaé (for the period between 2001 to 2006) (collectively, the “Municipal Assessments”). The Company believes that, based on its interpretation of tax legislation supported by clarifying guidance provided by the Supreme Court of Brazil with respect to the issue in a 2006 ruling, it is in compliance with all applicable tax legislation, has paid all applicable taxes, penalties and interest and plans to defend these claims vigorously at the administrative levels in each jurisdiction. In the event the Municipal Assessments are upheld at the last administrative level, it may be necessary for the Company to deposit the amounts at issue as security to pursue further appeals. In 2015, the Company received a final, unfavorable ruling with respect to a similar assessment levied by the Rio de Janeiro State Treasury for the periods between 1994 to 1998 (the “1998 Assessments”). The 1998 Assessments were upheld without taking into consideration the benefit of the clarifying guidance issued by the Supreme Court following the assertion of the claims. The final adjudication of the 1998 Assessments requires payment of amounts that are within the established accruals, will be paid in multiple installments over time and are not expected to have a material effect on the Company’s financial position or results of operations. At March 31, 2018, it is not possible to determine the outcome of the Municipal Assessments, but the Company does not expect that the outcome would have a material adverse effect on its business, financial position or results of operations. In addition, it is not possible to reasonably estimate the likelihood or potential amount of assessments that may be issued for any subsequent periods.

The Company is disputing responsibility for \$3.0 million of employer social security contributions required to have been remitted by one of its customers relating to the period from 1995 to 1998. Although the Company may be deemed co-responsible for such remittances under the local regulatory regime, the customer’s payments to the Company against presented invoices were made net of the specific remittances required to have been made by the customer and at issue in the claim. As such, the Company plans to defend this claim vigorously. At March 31, 2018, it is not possible to determine the outcome of this matter, but the Company does not expect that the outcome would have a material adverse effect on its business, financial position or results of operations.

The Company is disputing certain penalties that are being assessed by the State of Rio de Janeiro in respect of the Company’s alleged failure to submit accurate documentation and to fully comply with filing requirements with respect

to certain value-added taxes. The Company elected to make payment of \$0.2 million in installments over time to satisfy a portion of these penalties. Upon confirming with the asserting authority that the originally proposed penalties of \$1.6 million with respect to the balance of the assessments were calculated based on amounts containing a typographical error, the aggregate penalties that remain in dispute total \$0.5 million. At March 31, 2018, it is not possible to determine the outcome of this matter, but the Company does not expect that the outcome would have a material adverse effect on its business, financial position or results of operations.



Table of Contents

The Company is disputing the imposition of \$1.1 million in fines levied by the Brazilian customs authorities. These fines relate to the Company's alleged failure to comply with certain deadlines under the temporary regime pursuant to which it imports helicopters into Brazil. In order to dispute such fines and pursue its legal remedies within the judicial system, the Company deposited certain amounts at issue as security into an escrow account with the presiding judge in the matters who controls the release of such funds pending the outcome. The Company believes its documentation evidences its timely compliance with the relevant deadlines. As such, the Company plans to defend these claims vigorously. At March 31, 2018, it is not possible to determine the outcome of these matters, but the Company does not expect that the outcome would have a material adverse effect on its business, financial position or results of operations.

The Company is disputing fines of \$0.3 million sought by taxing authorities in Brazil following the final adjudication to disallow certain tax credits applied by the Company to offset certain social tax liabilities. The fine is calculated as 50% of the incremental tax liability resulting from the disallowance of the tax credits and has been applied without taking into account the circumstances relating to the disallowance of such tax credits. The constitutionality of such fines is under review by the Supreme Court in Brazil. There are a number of cases in which taxpayers have received favorable rulings due to the lack of constitutionality of the law. As such, the Company plans to defend this claim vigorously. At March 31, 2018, it is not possible to determine the outcome, but the Company does not expect that it would have a material adverse impact on its business, financial position or results of operations.

The Company is disputing contingent fees of \$0.6 million sought by its former tax consultant that have been calculated based on unrealized tax savings attributed to the consultant's suggested tax strategies. The Company contends that fees are due only upon realized tax savings. At March 31, 2018, it is not possible to determine the outcome of these matters, but the Company does not expect that the outcome would have a material adverse effect on its business, financial position or results of operations.

In the normal course of business, the Company may become involved in various employment-related litigation matters. At March 31, 2018, it is not possible to determine the outcome of several of these claims wherein an aggregate of \$0.2 million above the Company's established accrual is being sought. The Company does not expect that the outcome with respect to such claims would have a material adverse effect on its business, financial position or results of operations.

The Company is also disputing claims from the Brazilian tax authorities with respect to federal customs taxes levied upon the helicopters leased by the Company and imported into Brazil under a temporary regime and subject to reexport. In order to dispute such assessments and pursue its available legal remedies within the judicial system, the Company deposited the amounts at issue as security into an escrow account that serves as security and with the presiding judge in the matters controlling the release of such funds. The Company believes that, based on its interpretation of tax legislation and well established aviation industry practice, it is not required to pay such taxes and plans to defend these claims vigorously. At March 31, 2018, it is not possible to determine the outcome of this matter, but the Company does not expect that the outcome would have a material adverse effect on its business, financial position or results of operations.

As it relates to the specific cases referred to above, the Company currently anticipates that any administrative fine or penalty ultimately would not have a material effect on its financial position or results of operations. The Company has deposited \$9.8 million into escrow accounts controlled by the court with respect to certain of the cases described above and has fully reserved such amounts subject to final determination and the judicial release of such escrow deposits. These estimated liabilities are based on the Company's assessment of the nature of these matters, their progress toward resolution, the advice of legal counsel and outside experts as well as management's intentions and experience.

Other. On November 21, 2016, the Company filed a lawsuit in the District Court of Dallas County, Texas against Airbus Helicopters, Inc. and Airbus Helicopters S.A.S. (collectively, "Airbus") alleging breaches of various contracts between us, fraudulent inducement and unjust enrichment in connection with the sale by Airbus of H225 model helicopters to the Company. On October 26, 2017, the Company added claims against Airbus for fraud and negligent misrepresentation, and on December 28, 2017, the Company amended its complaint to seek damages attributable to the impact of Airbus' unlawful acts on the value of an H225 that the Company purchased from another helicopter

operator. The Company seeks compensation for monetary damages in an amount to be determined. The Company cannot predict the ultimate outcome of the litigation.

From time to time, the Company is involved in various legal actions incidental to its business, including actions relating to employee claims, actions relating to medical malpractice claims, various tax issues, grievance hearings before labor regulatory agencies, and miscellaneous third party tort actions. The outcome of these proceedings is not predictable. However, based on current circumstances, the Company does not believe that the ultimate resolution of these proceedings, after considering available defenses and any insurance coverage or indemnification rights, will have a material adverse effect on its financial position, results of operations or cash flows.

Table of Contents

## 9. EARNINGS (LOSS) PER COMMON SHARE

Basic earnings per common share of the Company are computed based on the weighted average number of common shares issued and outstanding during the relevant periods. Diluted earnings per common share of the Company are computed based on the weighted average number of common shares issued and outstanding plus the effect of potentially dilutive securities through the application of the if-converted method and/or treasury method. Dilutive securities for this purpose assume all common shares have been issued and outstanding during the relevant periods pursuant to the exercise of outstanding stock options.

Computations of basic and diluted earnings per common share of the Company for the three months ended March 31, 2018 and 2017 were as follows (in thousands, except share and per share data):

|  | Three Months<br>Ended<br>March 31, |            |
|--|------------------------------------|------------|
|  | 2018                               | 2017       |
| Net loss attributable to Era Group Inc.  | \$(1,194)                          | \$(5,620 ) |
| Net income attributable to participating securities  | —                                  | —          |
| Net loss attributable to fully vested common stock   | \$(1,194)                          | \$(5,620 ) |
| Shares:  |                                    |            |
| Weighted average common shares outstanding - basic   | 21,003,772                         | 20,509,463 |
| Net effect of dilutive stock options and restricted stock awards based on the treasury stock method <sup>(1)</sup> | —                                  | —          |
| Weighted average common shares outstanding - diluted   | 21,003,772                         | 20,509,463 |
| Loss per common share, basic and diluted   | \$(0.06 )                          | \$(0.27 )  |

<sup>(1)</sup> Excludes weighted average common shares of 235,900 and 284,546 for the three months ended March 31, 2018 and 2017, respectively, for certain share awards as the effect of their inclusion would have been antidilutive.

## 10. REVENUES

The Company derives its revenues primarily from oil and gas flight services, emergency response services and leasing activities. Revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The following table presents the Company's operating revenues disaggregated by geographical region in which services are provided:

|                          | Three Months<br>Ended<br>March 31, |          |
|--------------------------|------------------------------------|----------|
|                          | 2018                               | 2017     |
| Operating revenues:      |                                    |          |
| United States            | \$39,133                           | \$33,967 |
| Foreign                  | 15,617                             | 17,167   |
| Total operating revenues | \$54,750                           | \$51,134 |

The following table presents the Company's revenues earned by service line:

Table of Contents

|                              | Three Months<br>Ended<br>March 31,<br>2018    2017 |          |
|------------------------------|--|----------|
| Revenues:                    |  |          |
| Oil and gas flight services: |  |          |
| U.S.                         | \$36,536   | \$30,287 |
| International                | 15,617   | 17,167   |
| Total oil and gas            | 52,153   | 47,454   |
| Emergency response services  | 2,597  | 3,680    |
| Total operating revenues     | \$54,750   | \$51,134 |
| Dry-leasing revenues:        |  |          |
| U.S.                         | 571  | 234      |
| International                | 2,001  | 3,159    |
| Total revenues               | \$57,322   | \$54,527 |

The Company determines revenue recognition by applying the following steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognize revenue as the performance obligations are satisfied.

The Company earns the majority of its revenue through master service agreements or subscription agreements, which typically include a fixed monthly or daily fee, incremental fees based on hours flown and fees for ancillary items such as fuel, security, charter services, etc. The Company's arrangements to serve its customers represent a promise to stand-ready to provide services the Company has at the customer's discretion.

The Company recognizes revenue for flight services and emergency response services with the passing of each day as the Company has the right to consideration from its customers in an amount that corresponds directly with the value to the customer of performance completed to date. Therefore, the Company has elected to exercise the right to invoice practical expedient in its adoption of ASC 606. The right to invoice represents a method for recognizing revenue over time using the output measure of "value to the customer" which is an objective measure of an entity's performance in a contract. The Company typically invoices customers on a monthly basis for revenues earned during the prior month, with payment terms of 30 days. The Company's customer arrangements do not contain any significant financing component for customers. Amounts for taxes collected from customers and remitted to governmental authorities are reported on a net basis.

#### Practical Expedients and Exemptions

The Company does not incur any material incremental costs to obtain or fulfill customer contracts that require capitalization under the new revenue standard and has elected the practical expedient afforded by the new revenue standard to expense such costs as incurred upon adoption. These costs are included as operating expenses in the consolidated statements of operations.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount to which it has the right to invoice for services performed.

Table of Contents**11. RELATED PARTY TRANSACTIONS**

The Company leases office space from SEACOR Holdings Inc. (“SEACOR”) whose CEO is Chairman of our board. During each of the three months ended March 31, 2018 and 2017, the Company incurred \$0.1 million in rent and utilities. Such costs are included in administrative and general expense in the condensed consolidated statements of operations.

The Company purchased products from its Dart Holding Company Ltd. (“Dart”) joint venture totaling \$0.7 million and \$0.1 million during the three months ended March 31, 2018 and 2017, respectively. The Company also has a note receivable from Dart which had balances of \$2.7 million and \$2.8 million as of March 31, 2018 and December 31, 2017, respectively. Purchases from Dart are included in operating expenses on the consolidated statements of income, and the note receivable is included in equity investments and advances on the consolidated balance sheets.

During the three months ended March 31, 2018 and 2017, the Company incurred fees of \$0.1 million and \$0.2 million, respectively, for simulator services from its Era Training Center, LLC (“ETC”) joint venture, and during each of the three months ended March 31, 2018 and 2017, the Company provided helicopter, management and other services to ETC of less than \$0.1 million. Revenues from ETC are recorded in operating revenues, and expenses incurred are recorded in operating expenses on the consolidated statements of operations. The Company also has a note receivable from ETC which had a balance of \$3.8 million and \$3.7 million as of March 31, 2018 and December 31, 2017, respectively, which is recorded in equity investments and advances on the consolidated balance sheets.

**12. SHARE-BASED COMPENSATION**

**Restricted Stock Awards.** The number of shares and weighted average grant price of restricted stock awards during the three months ended March 31, 2018 were as follows:

|                                    | Number<br>of Shares | Weighted<br>Average<br>Grant<br>Price |
|------------------------------------|---------------------|---------------------------------------|
| Non-vested as of December 31, 2017 | 382,873             | \$ 12.68                              |
| Restricted stock awards granted:   |                     |                                       |
| Non-employee directors             | 37,272              | \$ 9.66                               |
| Employees                          | 269,099             | \$ 9.66                               |
| Vested                             | (195,827)           | \$ 14.20                              |
| Non-vested as of March 31, 2018    | 493,417             | \$ 10.20                              |

The total fair value of shares vested during the three months ended March 31, 2018 and 2017, determined using the closing price on the grant date, was \$2.8 million and \$4.1 million, respectively.

**Stock Options.** The Company did not grant any stock options during the three months ended March 31, 2018.

**Employee Stock Purchase Plan (“ESPP”).** During the three months ended March 31, 2018, the Company issued 63,438 shares under the ESPP. As of March 31, 2018, 273,325 shares remain available for issuance under the ESPP.

Total share-based compensation expense, which includes stock options, restricted stock and the ESPP, was \$0.8 million and \$1.2 million for the three months ended March 31, 2018 and 2017, respectively.

**13. GUARANTORS OF SECURITIES**

On December 7, 2012, Era Group issued the 7.750% Senior Notes. Era Group’s payment obligations under the 7.750% Senior Notes are jointly and severally guaranteed by all of its existing 100% owned U.S. subsidiaries that guarantee the Revolving Credit Facility and any future U.S. subsidiaries that guarantee the Revolving Credit Facility or other material indebtedness Era Group may incur in the future (the “Guarantors”). All the Guarantors currently guarantee the Revolving Credit Facility, and the guarantees of the Guarantors are full and unconditional and joint and several.

As a result of the agreement by these subsidiaries to guarantee the 7.750% Senior Notes, the Company is presenting the following condensed consolidating balance sheets and statements of operations, comprehensive income and cash flows for Era Group (“Parent”), the Guarantors and the Company’s other subsidiaries (“Non-guarantors”). These statements should be read in conjunction with the unaudited condensed consolidated financial statements of the Company. The supplemental condensed consolidating financial information has been prepared pursuant to the rules and regulations for condensed financial information and does not include all disclosures included in annual financial statements.



Table of Contents

## Supplemental Condensed Consolidating Balance Sheet as of March 31, 2018

|  | Parent                            | Guarantors | Non-guarantors | Eliminations  | Consolidated |
|--|-----------------------------------|------------|----------------|---------------|--------------|
|  | (in thousands, except share data) |            |                |               |              |
| <b>ASSETS</b>  |                                   |            |                |               |              |
| Current assets:  |                                   |            |                |               |              |
| Cash and cash equivalents  | \$ 14,195                         | \$—        | \$ 2,358       | \$—           | \$ 16,553    |
| Receivables:   |                                   |            |                |               |              |
| Trade, operating, net of allowance for doubtful accounts of \$1,058  | —                                 | 28,008     | 6,439          | —             | 34,447       |
| Trade, dry-leasing   | —                                 | 4,253      | —              | —             | 4,253        |
| Tax receivable   | 1                                 | —          | 3,465          | —             | 3,466        |
| Other  | —                                 | 2,997      | 1,171          | —             | 4,168        |
| Inventories, net   | —                                 | 20,437     | 393            | —             | 20,830       |
| Deferred income taxes  | 21,136                            | —          | —              | (21,136 )     | —            |
| Prepaid expenses   | 677                               | 1,929      | 198            | —             | 2,804        |
| Total current assets   | 36,009                            | 57,624     | 14,024         | (21,136 )     | 86,521       |
| Property and equipment   | —                                 | 932,951    | 16,113         | —             | 949,064      |
| Accumulated depreciation   | —                                 | (294,628 ) | (2,713 )       | —             | (297,341 )   |
| Property and equipment, net  | —                                 | 638,323    | 13,400         | —             | 651,723      |
| Equity investments and advances  | —                                 | 30,445     | —              | —             | 30,445       |
| Investments in consolidated subsidiaries   | 167,177                           | —          | —              | (167,177 )    | —            |
| Intangible assets  | —                                 | —          | 1,118          | —             | 1,118        |
| Intercompany receivables   | 408,068                           | —          | —              | (408,068 )    | —            |
| Other assets   | 1,688                             | 3,040      | 70             | —             | 4,798        |
| Total assets   | \$ 612,942                        | \$ 729,432 | \$ 28,612      | \$ (596,381 ) | \$ 774,605   |
| <b>LIABILITIES, REDEEMABLE<br/>NONCONTROLLING INTEREST AND<br/>STOCKHOLDERS' EQUITY</b>                            |                                   |            |                |               |              |
| Current liabilities:   |                                   |            |                |               |              |
| Accounts payable and accrued expenses  | \$ 871                            | \$ 7,778   | \$ 2,435       | \$—           | \$ 11,084    |
| Accrued wages and benefits   | —                                 | 4,859      | 1,671          | —             | 6,530        |
| Accrued interest   | 3,485                             | —          | —              | —             | 3,485        |
| Accrued income taxes   | —                                 | 24         | 22             | —             | 46           |
| Accrued other taxes  | —                                 | 1,375      | 481            | —             | 1,856        |
| Accrued contingencies  | —                                 | —          | 892            | —             | 892          |
| Current portion of long-term debt  | —                                 | 1,524      | 772            | —             | 2,296        |
| Other current liabilities  | 2,536                             | 600        | 30             | —             | 3,166        |
| Total current liabilities  | 6,892                             | 16,160     | 6,303          | —             | 29,355       |
| Long-term debt   | 160,439                           | 27,564     | 467            | —             | 188,470      |
| Deferred income taxes  | —                                 | 125,751    | 1,250          | (21,136 )     | 105,865      |
| Intercompany payables  | —                                 | 358,320    | 49,748         | (408,068 )    | —            |
| Other liabilities  | —                                 | 1,590      | 6              | —             | 1,596        |
| Total liabilities  | 167,331                           | 529,385    | 57,774         | (429,204 )    | 325,286      |
| Redeemable noncontrolling interest   | —                                 | 4          | 3,599          | —             | 3,603        |
| Equity:  |                                   |            |                |               |              |
| Common stock, \$0.01 par value, 60,000,000 shares authorized; 21,688,959 outstanding, exclusive of treasury shares | 219                               | —          | —              | —             | 219          |
| Additional paid-in capital   | 445,174                           | 100,306    | 4,562          | (104,868 )    | 445,174      |

Edgar Filing: ERA GROUP INC. - Form 10-Q

|  |           |           |           |             |              |   |
|--|-----------|-----------|-----------|-------------|--------------|---|
| Retained earnings  | 3,169     | 99,632    | (37,323   | ) (62,309   | ) 3,169      |   |
| Treasury shares, at cost, 215,141 shares                                       | (2,951    | ) —       | —         | —           | (2,951       | ) |
| Accumulated other comprehensive income, net of tax                             | —         | 105       | —         | —           | 105          |   |
| Total equity   | 445,611   | 200,043   | (32,761   | ) (167,177  | ) 445,716    |   |
| Total liabilities, redeemable noncontrolling interest and stockholders' equity | \$612,942 | \$729,432 | \$ 28,612 | \$ (596,381 | ) \$ 774,605 |   |

17

---



Table of Contents

## Supplemental Condensed Consolidating Balance Sheet as of December 31, 2017

|   | Parent                            | Guarantors | Non-guarantors | Eliminations | Consolidated |
|---|-----------------------------------|------------|----------------|--------------|--------------|
|   | (in thousands, except share data) |            |                |              |              |
| <b>ASSETS</b>   |                                   |            |                |              |              |
| Current assets:   |                                   |            |                |              |              |
| Cash and cash equivalents   | \$10,800                          | \$—        | \$ 2,783       | \$—          | \$ 13,583    |
| Receivables:  |                                   |            |                |              |              |
| Trade, operating, net of allowance for doubtful accounts of \$1,196   | —                                 | 27,968     | 5,872          | —            | 33,840       |
| Trade, dry-leasing  | —                                 | 5,124      | —              | —            | 5,124        |
| Tax receivables   | —                                 | —          | 2,829          | —            | 2,829        |
| Other   | —                                 | 1,126      | 497            | —            | 1,623        |
| Inventories, net  | —                                 | 20,746     | 366            | —            | 21,112       |
| Prepaid expenses  | 349                               | 721        | 133            | —            | 1,203        |
| Escrow deposits   | —                                 | 3,250      | —              | —            | 3,250        |
| Total current assets  | 11,149                            | 58,935     | 12,480         | —            | 82,564       |
| Property and equipment  | —                                 | 956,918    | 16,024         | —            | 972,942      |
| Accumulated depreciation  | —                                 | (296,573 ) | (2,455 )       | —            | (299,028 )   |
| Net property and equipment  | —                                 | 660,345    | 13,569         | —            | 673,914      |
| Equity investments and advances   | —                                 | 30,056     | —              | —            | 30,056       |
| Investments in consolidated subsidiaries  | 161,350                           | —          | —              | (161,350 )   | —            |
| Intangible assets   | —                                 | —          | 1,122          | —            | 1,122        |
| Deferred income taxes   | 19,600                            | —          | —              | (19,600 )    | —            |
| Intercompany receivables  | 426,806                           | —          | —              | (426,806 )   | —            |
| Other assets  | 1,011                             | 3,370      | 60             | —            | 4,441        |
| Total assets  | \$619,916                         | \$752,706  | \$ 27,231      | \$(607,756 ) | \$ 792,097   |
| <b>LIABILITIES, REDEEMABLE<br/>NONCONTROLLING INTEREST AND<br/>STOCKHOLDERS' EQUITY</b>                                   |                                   |            |                |              |              |
| Current liabilities:  |                                   |            |                |              |              |
| Accounts payable and accrued expenses   | \$638                             | \$13,655   | \$ 2,128       | \$—          | \$ 16,421    |
| Accrued wages and benefits  | —                                 | 6,804      | 1,460          | —            | 8,264        |
| Accrued interest  | 549                               | 57         | —              | —            | 606          |
| Accrued income taxes  | —                                 | 24         | 4              | —            | 28           |
| Current portion of long-term debt   | —                                 | 1,663      | 1,073          | —            | 2,736        |
| Accrued other taxes   | 18                                | 1,192      | 600            | —            | 1,810        |
| Accrued contingencies   | —                                 | —          | 859            | —            | 859          |
| Other current liabilities   | 848                               | 835        | 37             | —            | 1,720        |
| Total current liabilities   | 2,053                             | 24,230     | 6,161          | —            | 32,444       |
| Long-term debt  | 172,292                           | 27,979     | 1,903          | —            | 202,174      |
| Deferred income taxes   | —                                 | 124,948    | 1,250          | (19,600 )    | 106,598      |
| Intercompany payables   | —                                 | 381,660    | 45,146         | (426,806 )   | —            |
| Other liabilities   | —                                 | 1,435      | (1 )           | —            | 1,434        |
| Total liabilities   | 174,345                           | 560,252    | 54,459         | (446,406 )   | 342,650      |
| Redeemable noncontrolling interest  | —                                 | 4          | 3,762          | —            | 3,766        |
| Equity:   |                                   |            |                |              |              |
| Common stock, \$0.01 par value, 60,000,000 shares authorized; 21,319,150 shares outstanding, exclusive of treasury shares | —                                 | —          | —              | —            | 215          |

Edgar Filing: ERA GROUP INC. - Form 10-Q

|  |           |           |           |              |            |
|--|-----------|-----------|-----------|--------------|------------|
| Additional paid-in capital   | 443,944   | 100,306   | 4,562     | (104,868 )   | 443,944    |
| Retained earnings  | 4,363     | 92,034    | (35,552 ) | (56,482 )    | 4,363      |
| Treasury shares, at cost, 215,141 shares                                       | (2,951 )  | —         | —         | —            | (2,951 )   |
| Accumulated other comprehensive income, net of tax                             | —         | 110       | —         | —            | 110        |
| Total equity   | 445,571   | 192,450   | (30,990 ) | (161,350 )   | 445,681    |
| Total liabilities, redeemable noncontrolling interest and stockholders' equity | \$619,916 | \$752,706 | \$ 27,231 | \$(607,756 ) | \$ 792,097 |

Table of Contents

## Supplemental Condensed Consolidating Statements of Operations for the Three Months Ended March 31, 2018

|  | Parent         | Guarantors | Non-guarantors | Eliminations | Consolidated |
|--|----------------|------------|----------------|--------------|--------------|
|  | (in thousands) |            |                |              |              |
| Revenues   | \$—            | \$ 49,832  | \$ 14,467      | \$ (6,977 )  | \$ 57,322    |
| Costs and expenses:  |                |            |                |              |              |
| Operating  | —              | 29,770     | 14,867         | (6,977 )     | 37,660       |
| Administrative and general                                     | 4,313          | 6,373      | 1,385          | —            | 12,071       |
| Depreciation   | —              | 10,094     | 260            | —            | 10,354       |
| Total costs and expenses                                       | 4,313          | 46,237     | 16,512         | (6,977 )     | 60,085       |
| Gains on asset dispositions, net                               | —              | 4,414      | —              | —            | 4,414        |
| Operating income (loss)  | (4,313 )       | 8,009      | (2,045 )       | —            | 1,651        |
| Other income (expense):  |                |            |                |              |              |
| Interest income  | 4              | 96         | 46             | —            | 146          |
| Interest expense   | (4,303 )       | (182 )     | (91 )          | —            | (4,576 )     |
| Foreign currency gains (losses), net                           | 55             | 30         | (11 )          | —            | 74           |
| Gain on debt extinguishment                                    | —              | —          | 175            | —            | 175          |
| Other, net   | —              | —          | (8 )           | —            | (8 )         |
| Total other income (expense)                                   | (4,244 )       | (56 )      | 111            | —            | (4,189 )     |
| Income (loss) before income taxes and equity earnings          | (8,557 )       | 7,953      | (1,934 )       | —            | (2,538 )     |
| Income tax expense (benefit)                                   | (1,536 )       | 798        | —              | —            | (738 )       |
| Income (loss) before equity earnings                           | (7,021 )       | 7,155      | (1,934 )       | —            | (1,800 )     |
| Equity earnings, net of tax                                    | —              | 443        | —              | —            | 443          |
| Equity in earnings (losses) of subsidiaries                    | 5,827          | —          | —              | (5,827 )     | —            |
| Net income (loss)  | (1,194 )       | 7,598      | (1,934 )       | (5,827 )     | (1,357 )     |
| Net loss attributable to noncontrolling interest in subsidiary | —              | —          | 163            | —            | 163          |
| Net income (loss) attributable to Era Group Inc.               | \$(1,194)      | \$ 7,598   | \$ (1,771 )    | \$ (5,827 )  | \$ (1,194 )  |

Table of Contents

## Supplemental Condensed Consolidating Statements of Operations for the Three Months Ended March 31, 2017

|  | Parent         | Guarantors | Non-guarantors | Eliminations | Consolidated |
|--|----------------|------------|----------------|--------------|--------------|
|  | (in thousands) |            |                |              |              |
| Revenues   | \$—            | \$ 48,033  | \$ 15,400      | \$ (8,906 )  | \$ 54,527    |
| Costs and expenses:  |                |            |                |              |              |
| Operating  | —              | 29,113     | 17,550         | (8,906 )     | 37,757       |
| Administrative and general                                     | 1,865          | 7,038      | 1,478          | —            | 10,381       |
| Depreciation   | —              | 11,320     | 234            | —            | 11,554       |
| Total costs and expenses                                       | 1,865          | 47,471     | 19,262         | (8,906 )     | 59,692       |
| Gains on asset dispositions, net                               | —              | 109        | —              | —            | 109          |
| Operating income (loss)  | (1,865 )       | 671        | (3,862 )       | —            | (5,056 )     |
| Other income (expense):  |                |            |                |              |              |
| Interest income  | 21             | 111        | 118            | —            | 250          |
| Interest expense   | (3,241 )       | (298 )     | (50 )          | —            | (3,589 )     |
| Foreign currency gains (losses), net                           | 25             | 8          | (5 )           | —            | 28           |
| Gain on debt extinguishment                                    | —              | —          | —              | —            | —            |
| Other, net   | —              | —          | 12             | —            | 12           |
| Total other income (expense)                                   | (3,195 )       | (179 )     | 75             | —            | (3,299 )     |
| Income (loss) before income taxes and equity earnings          | (5,060 )       | 492        | (3,787 )       | —            | (8,355 )     |
| Income tax benefit   | (1,876 )       | (16 )      | (211 )         | —            | (2,103 )     |
| Income (loss) before equity earnings                           | (3,184 )       | 508        | (3,576 )       | —            | (6,252 )     |
| Equity earnings, net of tax                                    | —              | 465        | —              | —            | 465          |
| Equity in earnings (losses) of subsidiaries                    | (2,436 )       | —          | —              | 2,436        | —            |
| Net income (loss)  | (5,620 )       | 973        | (3,576 )       | 2,436        | (5,787 )     |
| Net loss attributable to noncontrolling interest in subsidiary | —              | —          | 167            | —            | 167          |
| Net income (loss) attributable to Era Group Inc.               | \$ (5,620 )    | \$ 973     | \$ (3,409 )    | \$ 2,436     | \$ (5,620 )  |

Table of Contents

## Supplemental Condensed Consolidating Statements of Comprehensive Income for the Three Months Ended March 31, 2018

|  | Parent<br>(in thousands) | Guarantors | Non-guarantors | Eliminations | Consolidated |
|--|--------------------------|------------|----------------|--------------|--------------|
| Net income (loss)  | \$(1,194)                | \$ 7,598   | \$ (1,934 )    | \$ (5,827 )  | \$ (1,357 )  |
| Other comprehensive loss:  |                          |            |                |              |              |
| Foreign currency translation adjustments                                 | —                        | (5 )       | —              | —            | (5 )         |
| Income tax benefit   | —                        | —          | —              | —            | —            |
| Total other comprehensive loss   | —                        | (5 )       | —              | —            | (5 )         |
| Comprehensive income (loss)  | (1,194 )                 | 7,593      | (1,934 )       | (5,827 )     | (1,362 )     |
| Comprehensive loss attributable to noncontrolling interest in subsidiary | —                        | —          | 163            | —            | 163          |
| Comprehensive income (loss) attributable to Era Group Inc.               | \$(1,194)                | \$ 7,593   | \$ (1,771 )    | \$ (5,827 )  | \$ (1,199 )  |

## Supplemental Condensed Consolidating Statements of Comprehensive Income for the Three Months Ended March 31, 2017

|  | Parent<br>(in thousands) | Guarantors | Non-guarantors | Eliminations | Consolidated |
|--|--------------------------|------------|----------------|--------------|--------------|
| Net income (loss)  | \$(5,620)                | \$ 973     | \$ (3,576 )    | \$ 2,436     | \$ (5,787 )  |
| Other comprehensive loss:  |                          |            |                |              |              |
| Foreign currency translation adjustments                                 | —                        | (2 )       | —              | —            | (2 )         |
| Income tax benefit   | —                        | —          | —              | —            | —            |
| Total other comprehensive loss   | —                        | (2 )       | —              | —            | (2 )         |
| Comprehensive income (loss)  | (5,620 )                 | 971        | (3,576 )       | 2,436        | (5,789 )     |
| Comprehensive loss attributable to noncontrolling interest in subsidiary | —                        | —          | 167            | —            | 167          |
| Comprehensive income (loss) attributable to Era Group Inc.               | \$(5,620)                | \$ 971     | \$ (3,409 )    | \$ 2,436     | \$ (5,622 )  |

Table of Contents

## Supplemental Condensed Consolidating Statements of Cash Flows for the Three Months Ended March 31, 2018

|   | Parent         | Guarantors  | Non-guarantors | Eliminations | Consolidated |
|---|----------------|-------------|----------------|--------------|--------------|
|   | (in thousands) |             |                |              |              |
| Net cash provided by (used in) operating activities             | \$3,387        | \$ (5,761 ) | \$ 1,344       | \$ —         | \$ (1,030 )  |
| Cash flows from investing activities:                           |                |             |                |              |              |
| Purchases of property and equipment                             | —              | (3,746 )    | (38 )          | —            | (3,784 )     |
| Proceeds from disposition of property and equipment             | —              | 19,497      | —              | —            | 19,497       |
| Investments in and advances to equity method investees          | —              | —           | —              | —            | —            |
| Principal payments on notes due from equity investees           | —              | 54          | —              | —            | 54           |
| Principal payments on third party notes receivable              | —              | 76          | —              | —            | 76           |
| Net cash used in investing activities                           | —              | 15,881      | (38 )          | —            | 15,843       |
| Cash flows from financing activities:                           |                |             |                |              |              |
| Payments on long-term debt                                      | —              | (554 )      | (1,705 )       | (12,000)     | (14,259 )    |
| Proceeds from issuance of long-term debt                        | —              | —           | —              | —            | —            |
| Proceeds from Revolving Credit Facility                         | —              | —           | —              | —            | —            |
| Revolving Credit Facility issuance costs                        | —              | —           | —              | (1,295 )     | (1,295 )     |
| Extinguishment of long-term debt                                | —              | —           | —              | —            | —            |
| Proceeds from share award plans                                 | —              | —           | —              | 484          | 484          |
| Purchase of treasury shares                                     | —              | —           | —              | —            | —            |
| Tax expense on vested restricted stock                          | —              | —           | —              | —            | —            |
| Borrowings and repayments of intercompany debt                  | —              | (12,811 )   | —              | 12,811       | —            |
| Net cash used in financing activities                           | —              | (13,365 )   | (1,705 )       | —            | (15,070 )    |
| Effects of exchange rate changes on cash and cash equivalents   | 8              | (5 )        | (26 )          | —            | (23 )        |
| Net increase (decrease) in cash and cash equivalents            | 3,395          | (3,250 )    | (425 )         | —            | (280 )       |
| Cash, cash equivalents and restricted cash, beginning of period | 10,800         | 3,250       | 2,783          | —            | 16,833       |
| Cash, cash equivalents and restricted cash, end of period       | \$ 14,195      | \$ —        | \$ 2,358       | \$ —         | \$ 16,553    |

Table of Contents

## Supplemental Condensed Consolidating Statements of Cash Flows for the Three Months Ended March 31, 2017

|   | Parent         | Guarantors | Non-guarantors | Elimination | Consolidated |
|---|----------------|------------|----------------|-------------|--------------|
|   | (in thousands) |            |                |             |              |
| Net cash provided by (used in) operating activities             | \$(639 )       | \$ 4,718   | \$ 174         | \$ —        | \$ 4,253     |
| Cash flows from investing activities:                           |                |            |                |             |              |
| Purchases of property and equipment                             | —              | (971 )     | (34 )          | —           | (1,005 )     |
| Proceeds from disposition of property and equipment             | —              | 126        | —              | —           | 126          |
| Return of helicopter deposit                                    | —              | (114 )     | —              | —           | (114 )       |
| Principal payments on notes due from equity investees           | —              | 185        | —              | —           | 185          |
| Principal payments on third party notes receivable              | —              | 56         | —              | —           | 56           |
| Net cash provided by (used in) investing activities             | —              | (718 )     | (34 )          | —           | (752 )       |
| Cash flows from financing activities:                           |                |            |                |             |              |
| Payments on long-term debt                                      | —              | (415 )     | (166 )         | (6,000 )    | (6,581 )     |
| Proceeds from Revolving Credit Facility                         | —              | —          | —              | 2,000       | 2,000        |
| Extinguishment of long-term debt                                | —              | —          | —              | —           | —            |
| Proceeds from share award plans                                 | —              | —          | —              | 463         | 463          |
| Purchase of treasury shares                                     | —              | —          | —              | (51 )       | (51 )        |
| Borrowings and repayments of intercompany debt                  | —              | (3,588 )   | —              | 3,588       | —            |
| Net cash used in financing activities                           | —              | (4,003 )   | (166 )         | —           | (4,169 )     |
| Effects of exchange rate changes on cash and cash equivalents   | —              | 3          | 54             | —           | 57           |
| Net increase (decrease) in cash and cash equivalents            | (639 )         | —          | 28             | —           | (611 )       |
| Cash, cash equivalents and restricted cash, beginning of period | 25,474         | 3,777      | 1,476          | —           | 30,727       |
| Cash, cash equivalents and restricted cash, end of period       | \$24,835       | \$ 3,777   | \$ 1,504       | \$ —        | \$ 30,116    |

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited consolidated financial statements as of March 31, 2018 and for the three months ended March 31, 2018 and 2017, included elsewhere herein, and with our Annual Report on Form 10-K for the year ended December 31, 2017.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements concerning management's expectations, strategic objectives, business prospects, anticipated performance and financial condition and other similar matters involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of results to differ materially from any future results, performance or achievements discussed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- the Company's dependence on, and the cyclical and volatile nature of, offshore oil and gas exploration, development and production activity, and the impact of general economic conditions and fluctuations in worldwide prices of and demand for oil and natural gas on such activity levels;
- the Company's reliance on a small number of customers and the reduction of its customer base resulting from bankruptcies or consolidation;
- risks that the Company's customers reduce or cancel contracted services or tender processes or obtain comparable services through other forms of transportation;
- the Company's dependence on U.S. government agency contracts that are subject to budget appropriations;
- cost savings initiatives implemented by the Company's customers;
- risks inherent in operating helicopters;
- the Company's ability to maintain an acceptable safety record and level of reliability;
- the impact of increased United States ("U.S.") and foreign government regulation and legislation, including potential government implemented moratoriums on drilling activities;
- the impact of a grounding of all or a portion of the Company's fleet for extended periods of time or indefinitely on the Company's business, including its operations and ability to service customers, results of operations or financial condition and/or the market value of the affected helicopter(s);
- the Company's ability to successfully expand into other geographic and aviation service markets;
- risks associated with political instability, governmental action, war, acts of terrorism and changes in the economic condition in any foreign country where the Company does business, which may result in expropriation, nationalization, confiscation or deprivation of the Company's assets or result in claims of a force majeure situation;
- the impact of declines in the global economy and financial markets;
- the impact of fluctuations in foreign currency exchange rates on the Company's asset values and cost to purchase helicopters, spare parts and related services;
- risks related to investing in new lines of service without realizing the expected benefits;
- risks of engaging in competitive processes or expending significant resources for strategic opportunities, with no guaranty of recoupment;
- the Company's reliance on a small number of helicopter manufacturers and suppliers;
- the Company's ongoing need to replace aging helicopters;
- the Company's reliance on the secondary helicopter market to dispose of used helicopters and parts;
- the Company's reliance on information technology;
- the impact of allocation of risk between the Company and its customers;
- the liability, legal fees and costs in connection with providing emergency response services;
- adverse weather conditions and seasonality;
- risks associated with the Company's debt structure;
- the Company's counterparty credit risk exposure;



the impact of operational and financial difficulties of the Company's joint ventures and partners and the risks associated with identifying and securing joint venture partners when needed;

- conflict with the other owners of the Company's non-wholly owned subsidiaries and other equity investees;

adverse results of legal proceedings;

risks associated with significant increases in fuel costs;

the Company's ability to obtain insurance coverage and the adequacy and availability of such coverage;

the Company's ability to remediate the material weaknesses it has identified in its internal controls over financial

## Table of Contents

reporting described herein and in its Annual Report on Form 10-K for the year ended December 31, 2017;

• the possibility of labor problems;

• the attraction and retention of qualified personnel;

• restrictions on the amount of foreign ownership of the Company's common stock; and

• various other matters and factors, many of which are beyond the Company's control.

It is not possible to predict or identify all such factors. Consequently, the foregoing should not be considered a complete discussion of all potential risks or uncertainties. The words "estimate," "project," "intend," "believe," "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made. The Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which the forward-looking statement is based. The forward-looking statements in this Quarterly Report on Form 10-Q should be evaluated together with the many uncertainties that affect the Company's businesses, particularly those discussed in greater detail elsewhere herein and in Part I, Item 1A, "Risk Factors" of Era Group's Annual Report on Form 10-K for the year ended December 31, 2017 and Era Group's subsequent Quarterly Reports on Form 10-Q and periodic reporting on Form 8-K (if any).

### Overview

We are one of the largest helicopter operators in the world and the longest serving helicopter transport operator in the U.S., which is our primary area of operations. Our helicopters are primarily used to transport personnel to, from and between offshore oil and gas production platforms, drilling rigs and other installations. In addition to serving the oil and gas industry, we provide emergency response services and utility services, among other activities. We also provide helicopters and related services to third-party helicopter operators. We currently have customers in the U.S., Argentina, Brazil, Colombia, the Dominican Republic and India.

We charter the majority of our helicopters through master service agreements, subscription agreements, long-term contracts, day-to-day charter arrangements and dry-leases. Master service agreements and subscription agreements typically require a fixed monthly fee plus incremental payments based on hours flown. These agreements have fixed terms ranging from one month to five years and generally may be canceled without penalty upon 30-90 days' notice. Generally, these contracts do not commit our customers to acquire specific amounts of services or minimum flight hours and permit our customers to decrease the number of helicopters under contract with a corresponding decrease in the fixed monthly payments without penalty. Day-to-day charter arrangements call for either a combination of a daily fixed fee plus a charge based on hours flown or an hourly rate with a minimum number of hours to be charged. Dry-leases require a fixed monthly fee for the customer's right to use the helicopter and, where applicable, a charge based on hours flown as compensation for any maintenance, parts, and/or personnel support that we may provide to the customer. Dry-leases have fixed terms from several months to five years and, in limited circumstances, may be canceled without penalty upon written notice. Emergency response services consist of services provided under contracts with hospitals or under a subscription basis directly with the end users.

Certain of our operations are subject to seasonal factors. Operations in the U.S. Gulf of Mexico are often at their highest levels from April to September, as daylight hours increase, and are at their lowest levels from November to February, as daylight hours decrease. Our Alaskan operations also see an increase during May to September, as our firefighting activities occur during this time and daylight hours are significantly longer.

### Recent Developments

#### Sale of Alaska Flightseeing Assets

On February 23, 2018, the Company sold all of its flightseeing assets in Alaska, which consisted of eight single engine helicopters, two operating facilities, and related property and equipment, for \$10.0 million. As a result, the Company will not conduct flightseeing operations in 2018.

Table of Contents

## Results of Operations

|  | Three Months Ended March |     |                   |      |
|--|--------------------------|-----|-------------------|------|
|  | 31,<br>2018              |     | 2017              |      |
|  | (in<br>thousands)        | %   | (in<br>thousands) | %    |
| Revenues:  |                          |     |                   |      |
| United States  | \$39,704                 | 69  | \$34,201          | 63   |
| Foreign  | 17,618                   | 31  | 20,326            | 37   |
| Total revenues   | 57,322                   | 100 | 54,527            | 100  |
| Costs and Expenses:  |                          |     |                   |      |
| Operating:   |                          |     |                   |      |
| Personnel  | 14,134                   | 25  | 15,414            | 28   |
| Repairs and maintenance  | 10,761                   | 19  | 10,091            | 18   |
| Insurance and loss reserves                                    | 1,307                    | 2   | 1,108             | 2    |
| Fuel   | 3,671                    | 6   | 2,829             | 5    |
| Leased-in equipment  | 285                      | 1   | 299               | 1    |
| Other  | 7,502                    | 13  | 8,016             | 15   |
| Total operating expenses                                       | 37,660                   | 66  | 37,757            | 69   |
| Administrative and general                                     | 12,071                   | 21  | 10,381            | 19   |
| Depreciation and amortization                                  | 10,354                   | 18  | 11,554            | 21   |
| Total costs and expenses                                       | 60,085                   | 105 | 59,692            | 109  |
| Gains on asset dispositions, net                               | 4,414                    | 8   | 109               | —    |
| Operating income (loss)  | 1,651                    | 3   | (5,056)           | (9)  |
| Other income (expense):  |                          |     |                   |      |
| Interest income  | 146                      | —   | 250               | —    |
| Interest expense   | (4,576)                  | (7) | (3,589)           | (6)  |
| Foreign currency gains, net                                    | 74                       | —   | 28                | —    |
| Gain on debt extinguishment                                    | 175                      | —   | —                 | —    |
| Other, net   | (8)                      | —   | 12                | —    |
| Total other income (expense)                                   | (4,189)                  | (7) | (3,299)           | (6)  |
| Loss before income taxes and equity earnings                   | (2,538)                  | (4) | (8,355)           | (15) |
| Income tax benefit   | (738)                    | (1) | (2,103)           | (4)  |
| Loss before equity earnings                                    | (1,800)                  | (3) | (6,252)           | (11) |
| Equity earnings, net of tax                                    | 443                      | 1   | 465               | 1    |
| Net loss   | (1,357)                  | (2) | (5,787)           | (10) |
| Net loss attributable to noncontrolling interest in subsidiary | 163                      | —   | 167               | —    |
| Net loss attributable to Era Group Inc.                        | \$(1,194)                | (2) | \$(5,620)         | (10) |

Table of Contents

Revenues by Service Line. The table below sets forth the revenues earned by service line for the three months ended March 31, 2018 and 2017.

|  | Three Months Ended |     |            |     |
|--|--------------------|-----|------------|-----|
|  | March 31,          |     | 2017       |     |
|  | 2018               |     | 2017       |     |
|  | (in                | %   | (in        | %   |
|  | thousands)         |     | thousands) |     |
| Revenues:                                  |                    |     |            |     |
| Oil and gas: <sup>(1)</sup>                |                    |     |            |     |
| U.S.                                       | \$36,536           | 64  | \$30,287   | 56  |
| International                              | 15,617             | 27  | 17,167     | 31  |
| Total oil and gas                          | 52,153             | 91  | 47,454     | 87  |
| Dry-leasing <sup>(2)</sup>                 | 2,572              | 4   | 3,393      | 6   |
| Emergency response services <sup>(3)</sup> | 2,597              | 5   | 3,680      | 7   |
|  | \$57,322           | 100 | \$54,527   | 100 |

---

(1) Primarily oil and gas activities, but also includes revenues from utility services, such as firefighting, and VIP transport.

(2) Includes property rental income of approximately \$0.1 million that was previously included in emergency response services and oil and gas service lines.

(3) Includes search and rescue and air medical services.

Table of Contents

## Current Quarter compared to Prior Year Quarter

**Operating Revenues.** Operating revenues were \$2.8 million higher in the three months ended March 31, 2018 (the “Current Quarter”) compared to the three months ended March 31, 2017 (the “Prior Year Quarter”).

Operating revenues from U.S. oil and gas operations were \$6.2 million higher in the Current Quarter. Operating revenues from heavy and medium helicopters were \$3.6 million and \$3.2 million higher, respectively, primarily due to higher utilization. Operating revenues from single engine and light twin helicopters were \$0.5 million and \$0.1 million lower, respectively, primarily due to lower utilization.

Operating revenues from international oil and gas operations were \$1.6 million lower in the Current Quarter.

Operating revenues in Brazil and Suriname decreased by \$1.1 million and \$0.6 million, respectively, primarily due to lower utilization. These decreases were partially offset by an increase of \$0.2 million in Colombia primarily due to higher utilization.

Operating revenues from emergency response services were \$1.1 million lower in the Current Quarter primarily due to the end of air medical contracts.

Revenues from dry-leasing activities were \$0.8 million lower primarily due to contracts that have ended since the Prior Year Quarter.

**Operating Expenses.** Operating expenses were \$0.1 million lower in the Current Quarter. Personnel costs were \$1.3 million lower primarily due to a reduction in headcount. Other operating expenses were \$0.5 million lower primarily due to the reversal of a previously reserved deposit following a favorable decision on a Brazilian customs dispute during the Current Quarter. Fuel expense was \$0.8 million higher primarily due to an increase in the average fuel price and increased flight hours. Repairs and maintenance expenses were \$0.7 million higher primarily due to increases of \$1.5 million related to the timing of repairs and \$0.2 million resulting from a net decrease in vendor credits, partially offset by a \$1.1 million decrease in power-by-the-hour (“PBH”) expense. The decrease in PBH expense was primarily due to the recognition of credits in the Current Quarter related to the removal of helicopters from PBH programs following their sale. Insurance and loss reserves were \$0.2 million higher primarily due to the recognition of a good experience credit in the Prior Year Quarter.

**Administrative and General.** Administrative and general expenses were \$1.7 million higher in the Current Quarter primarily due to a \$2.9 million increase in professional services fees. This increase was partially offset by a \$0.9 million decrease in personnel expenses primarily due to a reduction in headcount and changes in senior management and a \$0.2 million decrease in other general and administrative expenses.

**Depreciation and Amortization.** Depreciation and amortization expense was \$1.2 million lower in the Current Quarter primarily due to lower depreciation on our H225 helicopters following their impairment subsequent to the Prior Year Quarter.

**Gains (Losses) on Asset Dispositions, Net.** During the Current Quarter, the Company sold its flightseeing assets in Alaska (which consisted of eight single engine helicopters, two operating facilities, and related property and equipment), two additional single engine helicopters, two light twin helicopters and other equipment for proceeds of \$19.5 million, resulting in net gains of \$4.4 million. In the Prior Year Quarter, we sold non-aircraft assets for gains of \$0.1 million.

**Operating Income (Loss).** Operating income as a percentage of revenues was 3% in the Current Quarter compared to operating loss as a percentage of revenues of 9% in the Prior Year Quarter. The increase in operating income as a percentage of revenues in the Current Quarter was primarily due to gains on asset dispositions as described above.

**Interest Expense.** Interest expense was \$1.0 million higher in the Current Quarter primarily due to the capitalization of interest in the Prior Year Quarter and the write-off of \$0.4 million of deferred debt issuance costs related to the amendment of the Company’s Amended and Restated Senior Secured Revolving Credit Facility in the Current Quarter.

**Income Tax Benefit.** Income tax benefit was \$1.4 million lower in the Current Quarter primarily due to a lower pre-tax loss and a lower effective tax rate following changes in U.S. tax legislation.

Table of Contents

## Fleet Count

The following shows details of our helicopter fleet as of March 31, 2018.

|                      | Owned | Leased-in | Total | Max.<br>Pass. <sup>(1)</sup> | Cruise<br>Speed<br>(mph) | Approx.<br>Range<br>(miles) | Average<br>Age <sup>(2)</sup><br>(years) |
|----------------------|-------|-----------|-------|------------------------------|--------------------------|-----------------------------|--|
| Heavy:               |       |           |       |                              |                          |                             |  |
| S92                  | 4     | —         | 4     | 19                           | 175                      | 620                         | 2  |
| H225                 | 9     | —         | 9     | 19                           | 162                      | 582                         | 8  |
| AW189                | 4     | —         | 4     | 16                           | 173                      | 490                         | 2  |
|                      | 17    | —         | 17    |                              |                          |                             |  |
| Medium:              |       |           |       |                              |                          |                             |  |
| AW139                | 36    | —         | 36    | 12                           | 173                      | 426                         | 8  |
| S76 C+/C++           | 5     | —         | 5     | 12                           | 161                      | 348                         | 11                                       |
| B212                 | 6     | —         | 6     | 11                           | 115                      | 299                         | 39                                       |
|                      | 47    | —         | 47    |                              |                          |                             |  |
| Light—twin engine:   |       |           |       |                              |                          |                             |  |
| A109                 | 7     | —         | 7     | 7                            | 161                      | 405                         | 12                                       |
| EC135                | 13    | 2         | 15    | 7                            | 138                      | 288                         | 10                                       |
| BK117                | —     | 2         | 2     | 9                            | 150                      | 336                         | N/A                                      |
| BO105                | 3     | —         | 3     | 4                            | 138                      | 276                         | 28                                       |
|                      | 23    | 4         | 27    |                              |                          |                             |  |
| Light—single engine: |       |           |       |                              |                          |                             |  |
| A119                 | 13    | —         | 13    | 7                            | 161                      | 270                         | 11                                       |
| AS350                | 17    | —         | 17    | 5                            | 138                      | 361                         | 20                                       |
|                      | 30    | —         | 30    |                              |                          |                             |  |
| Total Fleet          | 117   | 4         | 121   |                              |                          |                             | 12                                       |

(1) In typical configuration for our operations.

(2) Reflects the average age of helicopters that are owned by us.

## Liquidity and Capital Resources

## General

Our ongoing liquidity requirements arise primarily from working capital needs, meeting our capital commitments (including the purchase of helicopters and other equipment) and the repayment of debt obligations. In addition, we may use our liquidity to fund acquisitions, repurchase shares or debt securities or make other investments. Sources of liquidity are cash balances and cash flows from operations and, from time to time, we may obtain additional liquidity through the issuance of equity or debt or through borrowings under the amended and restated senior secured revolving credit facility (the “Revolving Credit Facility”).

As of March 31, 2018, we had unfunded capital commitments of \$87.1 million, consisting primarily of agreements to purchase helicopters, including three AW189 heavy helicopters and five AW169 light twin helicopters. The AW189 helicopters are scheduled to be delivered in 2019. Delivery dates for the AW169 helicopters have yet to be determined. Of these commitments, \$11.5 million are payable in 2018, with the remaining commitments payable through 2019, and \$88.4 million of the commitments (inclusive of deposits paid on options not yet exercised) may be terminated without further liability to us other than aggregate liquidated damages of \$2.2 million. In addition, we had outstanding options to purchase up to ten additional AW189 helicopters. If these options are exercised, the helicopters would be scheduled for delivery in 2019 and 2020.

If we do not exercise our rights to cancel these capital commitments, we expect to finance the remaining acquisition costs for these helicopters through a combination of cash on hand, cash provided by operating activities, asset sales and borrowings under our Revolving Credit Facility.

Table of Contents

## Summary of Cash Flows

|   | Three Months<br>Ended<br>March 31,<br>2018      2017<br>(in thousands) |          |
|---|--|----------|
| Cash flows provided by or (used in):  |  |          |
| Operating activities  | \$(1,030)  | \$4,253  |
| Investing activities  | 15,843   | (752 )   |
| Financing activities  | (15,070)   | (4,169 ) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (23 )  | 57       |
| Net increase (decrease) in cash, cash equivalents and restricted cash         | \$(280 )   | \$(611 ) |

## Operating Activities

Cash flows provided by operating activities decreased by \$5.3 million in the Current Quarter compared to the Prior Year Quarter. The components of cash flows provided by operating activities during the Current Quarter and Prior Year Quarter were as follows (in thousands):

|   | Three Months<br>Ended<br>March 31,<br>2018      2017 |          |
|---|--|----------|
| Operating income before depreciation, gains on asset dispositions and impairment, net       | \$7,591  | \$6,389  |
| Changes in operating assets and liabilities before interest and income taxes                | (9,181 )   | (3,177 ) |
| Interest paid, net of capitalized interest of \$97 and \$432 in 2018 and 2017, respectively | (983 )   | (413 )   |
| Income taxes refunded (paid)  | —  | —        |
| Other   | 1,543  | 1,454    |
| Total cash flows provided by (used in) operating activities                                 | \$(1,030)  | \$4,253  |

Operating income before depreciation and gains on asset dispositions, net was \$1.2 million higher in the Current Quarter compared to the Prior Year Quarter primarily due to an increase in operating revenues of \$2.8 million, partially offset by an increase in administrative and general expenses of \$1.7 million. See “Results of Operations” above for an explanation of the primary causes of these variances.

During the Current Quarter, changes in operating assets and liabilities before interest and income taxes used cash flows of \$9.2 million primarily due to a decrease in accounts payables and an increase in prepaid expenses and other receivables. During the Prior Year Quarter, changes in operating assets and liabilities before interest and income taxes used cash flows of \$3.2 million primarily due to an increase in receivables and a decrease in accrued wages and benefits.

Interest paid, net of capitalized interest, was \$0.6 million higher primarily due to the capitalization of interest on certain pending helicopter deliveries during the Prior Year Quarter.

Net non-cash expenses increased by \$0.1 million compared to the Prior Year Quarter primarily due to non-cash penalty and interest expenses, partially offset by a decrease in equity award amortization.

## Investing Activities

During the Current Quarter, net cash provided by investing activities was \$15.8 million primarily as follows:

• Proceeds from the disposition of property and equipment were \$19.5 million.

• Capital expenditures were \$3.8 million, which consisted primarily of helicopter acquisitions, spare helicopter parts and capitalized interest.

• Net principal payments received from equity investees and third parties were \$0.1 million.

During the Prior Year Quarter, net cash used in investing activities was \$0.8 million primarily as follows:

• Capital expenditures were \$1.0 million, which consisted primarily of spare helicopter parts and capitalized interest.

• Net principal payments received from equity investees and third parties were \$0.2 million.





## Table of Contents

Proceeds from the disposition of property and equipment were \$0.1 million.

Investments in and advances to equity method investees were \$0.1 million.

### Financing Activities

During the Current Quarter, net cash used in financing activities was \$15.1 million primarily as follows:

Principal payments on long-term debt, including our Revolving Credit Facility, were \$14.3 million.

Long-term debt issuance costs were \$1.3 million incurred in connection with the amendment of the Revolving Credit Facility

Proceeds from share award plans were \$0.5 million

During the Prior Year Quarter, net cash used in financing activities was \$4.2 million primarily as follows:

Principal payments on long-term debt, including our Revolving Credit Facility, were \$6.6 million.

Proceeds from additional borrowings under our Revolving Credit Facility were \$2.0 million.

Proceeds from share award plans were \$0.5 million.

### Revolving Credit Facility

As of March 31, 2018, our Revolving Credit Facility provided us with the ability to borrow up to \$125.0 million, with a sub-limit of up to \$50.0 million for letters of credit. The Revolving Credit Facility includes an “accordion” feature which, if exercised and subject to agreement by the lenders and the satisfaction of certain conditions, will increase total commitments by up to \$50.0 million. Our availability under the Revolving Credit Facility may be limited by certain maintenance covenants specified under the Revolving Credit Facility. As of March 31, 2018, \$27.0 million was outstanding under the Revolving Credit Facility, and based on our operating results through March 31, 2018, we have the ability to borrow an additional \$96.7 million under the Revolving Credit Facility.

### Senior Notes

On December 7, 2012, we completed an offering of \$200.0 million aggregate principal amount of our 7.750% Senior Notes due December 15, 2022. Interest on the notes is payable semi-annually in arrears on June 15<sup>th</sup> and December 15<sup>th</sup> of each year. From time to time, we may opportunistically repurchase our 7.750% Senior Notes in open market or privately negotiated transactions on terms we believe to be favorable. As of March 31, 2018, \$144.8 million in aggregate principal amount of the 7.750% Senior Notes remains outstanding. We may also redeem the 7.750% Senior Notes at any time and from time to time at a premium as specified in the indenture governing the 7.750% Senior Notes.

### Promissory Notes

In December 2010, we entered into two promissory notes to purchase a heavy and a medium helicopter. We refinanced the notes upon their maturity in December 2015. The notes bear interest at the one-month LIBOR rate plus 181 basis points and require monthly principal and interest payments of \$0.2 million with final payments totaling \$16.8 million due in December 2020.

### Aeróleo Debt

During the three months ended March 31, 2017, we settled certain tax disputes in Brazil totaling \$0.2 million. As of March 31, 2018 and December 31, 2017, we had installments totaling \$1.2 million and \$3.0 million, respectively, that were due to applicable taxing authorities. Such amounts bear interest at a rate equal to the overnight rate as published by the Central Bank of Brazil.

For additional information about our long-term debt, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Amended and Restated Senior Secured Revolving Credit Facility”, “-7.750% Senior Notes”, “-Promissory Notes”, and “-Aeróleo Debt” contained in our Annual Report on Form 10-K for the year ended December 31, 2017.

### Short and Long-Term Liquidity Requirements

We anticipate that we will generate positive cash flows from operating activities and that these cash flows will be adequate to meet our working capital requirements. During the three months ended March 31, 2018, our cash used in operating activities was \$1.0 million. To support our capital expenditure program and/or other liquidity requirements, we may use any combination of operating cash flow, cash balances or proceeds from sales of assets, issue debt or equity, or borrowings under our Revolving Credit Facility.



Table of Contents

Our availability of long-term liquidity is dependent upon our ability to generate operating profits sufficient to meet our requirements for working capital, debt service, capital expenditures and a reasonable return on investment. Management will continue to closely monitor our liquidity and the credit markets.

Off-Balance Sheet Arrangements

On occasion, we and our partners will guarantee certain obligations on behalf of our joint ventures. As of March 31, 2018, we had no such guarantees in place. As of March 31, 2018, we had standby letters of credit totaling \$1.3 million.

Contingencies

Brazilian Tax Disputes

We are disputing assessments of approximately \$7.2 million in taxes, penalties and interest levied by the municipal authorities of Rio de Janeiro (for the period between 2000 to 2005) and Macaé (for the period between 2001 to 2006) (collectively, the “Municipal Assessments”). We believe that, based on our interpretation of tax legislation supported by clarifying guidance provided by the Supreme Court of Brazil with respect to the issue in a 2006 ruling, we are in compliance with all applicable tax legislation, have paid all applicable taxes, penalties and interest and plan to defend these claims vigorously at the administrative levels in each jurisdiction. In the event the Municipal Assessments are upheld at the last administrative level, it may be necessary for us to deposit the amounts at issue as security to pursue further appeals. In 2015, we received a final, unfavorable ruling with respect to a similar assessment levied by the Rio de Janeiro State Treasury for the periods between 1994 to 1998 (the “1998 Assessments”). The 1998 Assessments were upheld without taking into consideration the benefit of the clarifying guidance issued by the Supreme Court following the assertion of the claims. The final adjudication of the 1998 Assessments requires payment of amounts that are within the established accruals, will be paid in multiple installments over time and are not expected to have a material effect on our financial position or results of operations. At March 31, 2018, it is not possible to determine the outcome of the Municipal Assessments, but we do not expect that the outcome would have a material effect on our business, financial position or results of operations. In addition, it is not possible to reasonably estimate the likelihood or potential amount of assessments that may be issued for any subsequent periods.

We are disputing responsibility for \$3.0 million of employer social security contributions required to have been remitted by one of our customers relating to the period from 1995 to 1998. Although we may be deemed co-responsible for such remittances under the local regulatory regime, the customer’s payments to us against presented invoices were made net of the specific remittances required to have been made by the customer and at issue in the claim. As such, we plan to defend this claim vigorously. At March 31, 2018, it is not possible to determine the outcome of this matter, but we do not expect that the outcome would have a material adverse effect on our business, financial position or results of operations.

We are disputing certain penalties that are being assessed by the State of Rio de Janeiro in respect of our alleged failure to submit accurate documentation and to fully comply with filing requirements with respect to certain value-added taxes. We elected to make payment of \$0.2 million in installments over time to satisfy a portion of these penalties. Upon confirming with the asserting authority that the originally proposed penalties of \$1.6 million with respect to the balance of the assessments were calculated based on amounts containing a typographical error, the aggregate penalties that remain in dispute total \$0.5 million. At March 31, 2018, it is not possible to determine the outcome of this matter, but we do not expect that the outcome would have a material adverse effect on our business, financial position or results of operations.

We are disputing the imposition of \$1.1 million in fines levied by the Brazilian customs authorities. These fines relate to our alleged failure to comply with certain deadlines under the temporary regime pursuant to which we import helicopters into Brazil. In order to dispute such fines and pursue our legal remedies within the judicial system, we deposited certain amounts at issue as security into an escrow account with the presiding judge in the matters who controls the release of such funds pending the outcome. We believe our documentation evidences our timely compliance with the relevant deadlines. As such, we plan to defend this case vigorously. At March 31, 2018, it is not possible to determine the outcome of these matters, but we do not expect that the outcome would have a material adverse effect on our business, financial position or results of operations.

We are disputing fines of \$0.3 million sought by taxing authorities in Brazil following the final adjudication to disallow certain tax credits we applied to offset certain social tax liabilities. The fine is calculated as 50% of the incremental tax liability resulting from the disallowance of the tax credits and has been applied without taking into account the circumstances relating to the disallowance of such tax credits. The constitutionality of such fines is under review by the Supreme Court in Brazil. There are a number of cases in which taxpayers have received favorable rulings due to the lack of constitutionality of the law. As such, we plan to defend this claim vigorously. At March 31, 2018, it is not possible to determine the outcome, but we do not expect that it would have a material adverse impact on our business, financial position or results of operations.

We are disputing contingent fees of \$0.6 million sought by our former tax consultant that have been calculated based on unrealized tax savings attributed to the consultant's suggested tax strategies. Our contention is that fees are due only upon realized tax savings. At March 31, 2018, it is not possible to determine the outcome of these matters, but we do not expect that the outcome would have a material adverse effect on our business, financial position or results of operations.

## Table of Contents

In the normal course of business, we become involved in various employment-related litigation matters. At March 31, 2018, it is not possible to determine the outcome of several of these claims wherein an aggregate of \$0.2 million above our established accrual is being sought from us. We do not expect that the outcome with respect to such claims would have a material adverse effect on our business, financial position or results of operations.

We are also disputing claims from the Brazilian tax authorities with respect to federal customs taxes levied upon the helicopters imported into Brazil under a temporary regime and subject to re-export. In order to dispute such assessments and pursue our available legal remedies within the judicial system, we deposited the amounts at issue as security into an escrow account with the presiding judge in the matter controlling the release of such funds. We believe that, based on our interpretation of tax legislation and well established aviation industry practice, we are not required to pay such taxes and plan to defend this claim vigorously. At March 31, 2018, it is not possible to determine the outcome of this matter, but we do not expect that the outcome would have a material adverse effect on our business, financial position or results of operations.

In the normal course of our business, we become involved in various litigation matters including, among other things, claims by third parties for alleged property damages and personal injuries. In addition, from time to time, we are involved in tax and other disputes with various government agencies. Management has used estimates in determining our potential exposure to these matters and has recorded reserves in our financial statements related thereto as appropriate. It is possible that a change in our estimates related to these exposures could occur, but we do not expect such changes in estimated costs would have a material effect on our business, consolidated financial position or results of operations. As it relates to the specific cases referred to above, we currently anticipate that any administrative fine or penalty ultimately would not have a material effect on our business, financial position or results of operations. We have deposited \$9.8 million into escrow accounts controlled by the court with respect to certain of the cases described above and have fully reserved such amounts subject to final determination and the judicial release of such escrow deposits. These estimates are based on our assessment of the nature of these matters, their progress toward resolution, the advice of legal counsel and outside experts as well as management's intentions and experience.

### Airbus Lawsuit

On November 21, 2016, we filed a lawsuit in the District Court of Dallas County, Texas against Airbus Helicopters, Inc. and Airbus Helicopters S.A.S. (collectively, "Airbus") alleging breaches of various contracts between us, fraudulent inducement and unjust enrichment in connection with the Airbus marketing and sale of H225 model helicopters to us. On October 26, 2017, we added claims against Airbus for fraud and negligent misrepresentation, and on December 28, 2017, we amended our complaint to seek damages attributable to the impact of Airbus' unlawful acts on the value of an H225 that we purchased from another helicopter operator. We seek compensation for our monetary damages in an amount to be determined. We cannot predict the ultimate outcome of the litigation, and we may spend significant resources pursuing our legal remedies against Airbus.

For additional information about our contractual obligations and commercial commitments, refer to "Liquidity and Capital Resources—Contractual Obligations and Commercial Commitments" contained in our Annual Report on Form 10-K for the year ended December 31, 2017. There have been no material changes since such date.

### Critical Accounting Policies

The preparation of our financial statements is in conformity with U.S. generally accepted accounting principles ("GAAP"). In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP, whereas, in other circumstances, GAAP requires us to make estimates, judgments and assumptions that we believe are reasonable based upon information available. We base our estimates and judgments on historical experience, professional advice and various other sources that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions. In addition to the policies discussed in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2017, the following involves a high degree of judgment and complexity.

**Revenue recognition.** We have elected to exercise the right to invoice practical expedient in our adoption of ASC 606. We recognize revenue for flight services and emergency response services with the passing of each day as we have the right to consideration from our customers in an amount that corresponds directly with the value to our customer of our

performance completed to date. The right to invoice represents a method for recognizing revenue over time using the output measure of “value to the customer” which is an objective measure of an entity’s performance in a contract. We typically invoice our customers on a monthly basis for revenues earned during the prior month with payment terms of 30 days. Our customer arrangements do not contain any significant financing component for our customers.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For additional information about our exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, contained in our Annual Report on Form 10-K for the year ended December 31, 2017. There has been no material change in our exposure to market risk during the Current Quarter, except as described below.

As of March 31, 2018, we had non-U.S. dollar denominated capital purchase commitments of €70.6 million (\$87.1 million). An adverse change of 10% in the underlying foreign currency exchange rate would increase the U.S. dollar equivalent of the non-hedged purchase commitment by \$8.7 million. As of March 31, 2018, our Brazilian subsidiary maintained a non-U.S. dollar denominated working capital balance of R\$7.2 million (\$2.2 million). An adverse change of 10% in the underlying foreign currency exchange rate would reduce our working capital balance by \$0.2 million.



Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

With the participation of our Chief Executive Officer and Chief Financial Officer, management evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of March 31, 2018. Based on their evaluation, our principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures were not effective in providing reasonable assurance that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, as of March 31, 2018 solely because of the existence of the material weaknesses in internal controls over financial reporting described below.

Material Weaknesses in Internal Control Over Financial Reporting

In connection with our evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017, management determined that review controls over the accrual of interest relating to tax installment agreements entered into by Aeróleo, our subsidiary in Brazil, were not designed effectively to ensure the accuracy of the accrual of variable interest.

While this deficiency in controls did not result in a material misstatement of our 2017 consolidated financial statements, we determined this deficiency represents a material weakness in internal control over financial reporting as of December 31, 2017 and resulted in the correction of errors in our fourth quarter 2017 financial results prior to publication of the results. As noted below, this material weakness was remedied in the first quarter of 2018. Management also identified a material weakness in the third and fourth quarters of 2017 related to the design and operation of controls over preparation and review of the Company’s calculation of its tax provisions (income and other).

Remediation Process

In order to remediate the material weaknesses in internal control related to our subsidiary in Brazil, management implemented additional controls. These new controls include validation of monthly interest accruals on tax installments including review of the terms of any new installment arrangements. The implementation of the additional controls were completed by the end of first quarter 2018. Accordingly, management concluded this material weakness was remediated as of March 31, 2018.

Management is in the process of remediating the material weakness related to the design and operation of controls over the preparation and review of the Company’s tax provision calculation by enhancing the precision of the review and reconciliation controls over each significant component of the income tax and other tax accrual processes. These controls have been implemented in the first quarter of 2018; however management is continuing to implement further controls and assess the effectiveness of the new controls, therefore remediation is ongoing.

Changes in Internal Controls Over Financial Reporting

Other than as noted above with respect to the above remedied existing material weaknesses, during the quarter ended March 31, 2018, there were no changes in our internal control over financial reporting.

Table of Contents

## PART II—OTHER INFORMATION

## ITEM 1A. RISK FACTORS

For additional information about our risk factors, see “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017. There have been no material changes to this Item from the disclosure included in our Annual Report on Form 10-K for the year ended December 31, 2017.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents information regarding our repurchases of shares of our Common Stock on a monthly basis during the three months ended March 31, 2018:

|                                      | Total<br>Number of<br>Shares<br>Repurchased | Average<br>Price<br>Paid Per<br>Share | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Maximum<br>Value of<br>Shares that<br>May Yet be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|--------------------------------------|---|---------------------------------------|--|--|
| January 1, 2018 - January 31, 2018   | —   | \$                                    | —  | \$22,934,076   |
| February 1, 2018 - February 28, 2018 | —   | \$                                    | —  | \$22,934,076   |
| March 1, 2018 - March 31, 2018       | —   | \$                                    | —  | \$22,934,076   |

## ITEM 6. EXHIBITS

- 31.1 Certification by the Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act.
- 31.2 Certification by the Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act.
- 32.1 Certification by the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Era Group Inc. (Registrant)

DATE: May 1, 2018 By: /s/ Jennifer D. Whalen  
Jennifer D. Whalen,  
Senior Vice President, Chief  
Financial Officer