

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**In re:**

**GRUPO AEROMÉXICO, S.A.B. de C.V., *et al.*,**

**Debtors.<sup>1</sup>**

**Chapter 11**

**Case No. 20-11563 (SCC)**

**(Jointly Administered)**

**DECLARATION OF MATTHEW LANDESS IN SUPPORT OF  
(A) DEBTORS' MOTION FOR ENTRY OF AN ORDER AUTHORIZING  
DEBTOR AEROVÍAS DE MÉXICO, S.A. DE C.V. TO ENTER INTO NEW  
AIRCRAFT LEASE AGREEMENTS WITH SMBC AVIATION CAPITAL  
LIMITED AND (B) RELATED SEALING MOTION**

I, Matthew Landess, declare as follows:

1. I am a partner of SkyWorks Capital, LLC ("**SkyWorks**"), which serves as aircraft fleet restructuring financial advisor to the debtors and debtors in possession (collectively, the "**Debtors**") in the above-captioned chapter 11 cases and served in such capacity prior to the commencement of these cases. I have been employed by SkyWorks or its affiliates since 2008.

2. As a Partner at SkyWorks, I have advised several airlines during their restructuring processes. I have worked on bankruptcy cases in the airline industry, including TWA, Delta Air Lines, and American Airlines. I have advised multiple industry-leading airlines on matters relating to fleet planning, including aircraft orders, aircraft financing structures, tax leases, operating leases, capital leases and multiple debt structures, and negotiating contracts on behalf of my clients

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<sup>1</sup> The Debtors in these cases, along with each Debtor's registration number in the applicable jurisdiction, are as follows: Grupo Aeroméxico, S.A.B. de C.V. 286676; Aerovías de Mexico, S.A. de C.V. 108984; Aerolitoral, S.A. de C.V. 217315; and Aerovías Empresa de Cargo, S.A. de C.V. 437094-1. The Debtors' corporate headquarters is located at Paseo de la Reforma No. 243, piso 25 Colonia Cuauhtémoc, Mexico City, C.P. 06500.

that have enabled them to collectively save billions of dollars and successfully restructure their businesses.

3. I submit this declaration (this “**Declaration**”) in support of the *Debtors’ Motion for Entry of an Order Authorizing Debtor Aerovías de México, S.A. de C.V. To Enter into New Aircraft Lease Agreements with SMBC Aviation Capital Limited* (the “**SMBC Motion**”) and the *Debtors’ Motion for Entry of an Order Authorizing the Debtors To Redact Commercially Sensitive Information* (the “**Sealing Motion**” and, together with the SMBC Motions, the “**Motions**”), each filed contemporaneously herewith.<sup>2</sup>

4. The statements in this declaration are, except where specifically noted, based on my personal knowledge or opinion, on information that I have received from the Debtors’ employees or advisors or professionals of SkyWorks working directly with me or under my supervision, direction, or control, or from the Debtors’ books and records maintained in the ordinary course of their businesses.<sup>3</sup>

5. I am not being specifically compensated for this testimony other than through payments received by SkyWorks as a professional retained by the Debtors. I am over the age of 18 years and authorized to submit this Declaration on behalf of the Debtors. If I were called upon to testify, I could and would competently testify to the facts set forth herein.

#### **SMBC Motion**

6. As set forth in the SMBC Motion, the Debtors have been engaged in a multi-step process to (a) analyze their anticipated, long-term fleet and equipment needs, (b) make

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<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motions, as applicable.

<sup>3</sup> This declaration is based on SkyWorks’ knowledge of the Debtors, the Chapter 11 Cases, and their fleet (aside from aircraft bearing manufacturer’s serial number 35311).

corresponding adjustments to the size and composition of their current operating fleet, and (c) obtain the most favorable terms for agreements relating to aircraft equipment. In doing so, the Debtors have continued negotiating with existing lessors and potential lessors of additional aircraft equipment to obtain the best terms available for the aircraft and equipment that will be necessary for the Debtors to pursue their long-term business plan and to optimize their anticipated fleet upon emergence from the Chapter 11 Cases (the “**Operating Fleet Plan**”).

7. As the Court is aware, the Debtors obtained the Court’s approval for the acquisition of 20 new Boeing 737MAX aircraft through the Boeing and Air Lease Motions.

8. In mid-June 2021, the Debtors finalized the current version of their Operating Fleet Plan, which, among other things, adjusted the composition of the Debtors’ long-term operating fleet, including through a combination of substitutions and additions of up to 24 Boeing 737MAX aircraft (the “**Additional MAX Aircraft**”), five of which are the subject of this Motion. The decision to induct the Additional MAX Aircraft into the Debtors’ fleet was based on quantifiable and substantial economic benefits, including, among other things, the following: (a) greater fuel efficiency; (b) reduced near-term maintenance capex; (c) additional passengers at discounted yield; (d) increased EBITDAR; (e) a positive net present value with respect to the cash inflows and outflows relating to the Additional MAX Aircraft; (f) increased efficiencies and cost-savings generated by having a harmonized fleet where a substantial portion of the aircraft are the same type and share the same configuration; and (g) increased value of the Debtors’ estates.

9. As part of the first step in effectuating the updated and current Operating Fleet Plan, on August 30, 2021, the Debtors obtained the Court’s approval to acquire 12 new Boeing 737MAX aircraft. *See Final Order (I) Authorizing Debtors To Enter into New Aircraft Lease Agreements and (B) Amend and Assume a Certain Existing Aircraft Lease Agreement and (II) Approving*

*Compromise Regarding Prepetition Claims with Affiliates of Dubai Aerospace Enterprise (DAE) Ltd* (the “**DAE Order**”) [ECF No. 1659]. Pursuant to the DAE Order, the Court explicitly found that “[e]ntry into and performance under each of the [DAE Leases] is in the best interest of the Debtors and their estates.” *Id.*, ¶ 2. In conjunction with the DAE Order, the Committee formally withdrew its limited objection and reserved all rights to object to the Debtors’ future acquisition of aircraft (the “**Reservation of Rights**”) [ECF No. 1626]. In addition, in its Reservation of Rights, the Committee stated its belief that the Debtors must provide, for each additional 737MAX aircraft to be acquired, additional analysis that (a) is based on the life of the applicable commitment period, (b) evaluates the aircraft to be replaced (if any), (c) forecasts the benefits of the new 737MAX aircraft by measuring the profitability of marginal routes against the amount of incremental capital needed to acquire the aircraft, (d) eliminates incremental fixed costs consistent with the Debtors’ business plan, and (e) includes beyond contribution measurements, all consistent with ordinary course practices (collectively, the “**Requested Analyses**”). *Id.*, ¶ 3.

10. On September 17, 2021, the Debtors took another step towards their goal of inducting the Additional MAX Aircraft by filing the *Debtors’ Motion for Entry of an Order Authorizing Debtor Aerovías de México, S.A. de C.V. To Enter into New Aircraft Lease Agreements with Air Lease Corporation* [ECF No. 1741], pursuant to which the Debtors are seeking to acquire four additional Boeing 737MAX aircraft (and two Boeing 787-9 aircraft).

11. Now, as a result of arm’s length and good faith negotiations, the Debtors have reached an agreement with SMBC Aviation Capital Limited and/or its affiliate, associated company, owner trust, or nominee (collectively, “**SMBC**”) to enter into the SMBC Leases and take delivery of five new Boeing 737-MAX8 aircraft (collectively, with the related engines, parts, equipment, and appurtenances, the “**SMBC Aircraft**”). The first of the SMBC Aircraft is

anticipated to be delivered to the Debtors as early as mid-November, 2021. Furthermore, it is imperative that at least some of the SMBC Aircraft are airworthy in time for the critical upcoming holiday travel season. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

12. The leasing of these state-of-the-art SMBC Aircraft provides greater fuel- and cost-efficiency and permits the Debtors to upgrade their customer experience by offering comprehensive and competitive services to their customers, while sustaining improved profitability and flexibility. In light of the foregoing, the Debtors believe that it is imperative that they induct the SMBC Aircraft as quickly as possible to ensure that some of the SMBC Aircraft are available for use during the peak holiday season. The addition of the SMBC Aircraft is yet another monumental step forward in the Debtors' fleet rationalization and modernization effort that will benefit the Debtors, their estates, and their economic stakeholders for years to come.

13. It has been, and remains, my strong belief that it is crucial for the Debtors, the Chapter 11 Cases in the short term, and the Debtors' Operating Fleet Plan in the long term that the SMBC Leases be approved as soon as possible and without any delay. The Debtors are seeking to reset their fleet and attendant costs to a market level. As part of this process, the Debtors are evaluating their fleet of aircraft and equipment, negotiating acquisitions of additional new or used aircraft and equipment, reviewing the underlying leases and agreements for the aircraft and equipment currently in their fleet, and, to the extent prudent, negotiating amendments to such leases and agreements for aircraft and equipment that the Debtors desire to maintain. In doing so,

the Debtors compared the SMBC Leases and the SMBC Aircraft to available alternatives and ultimately negotiated (at arm's length, in good faith, and in consultation with their key stakeholders) economically favorable terms for the SMBC Leases that are in line with the Debtors' long-term Operating Fleet Plan. The SMBC Leases also will create operational flexibility for the Debtors, as they will allow the Debtors to increase the long-term fleet by five state-of-the-art aircraft (which would be in addition to the Boeing 737MAX aircraft being acquired pursuant to other transactions approved by the Court) and would position the Debtors to potentially reject other costly aircraft or equipment that are not as attractive for the long-term fleet. Finally, the Debtors have determined (based on the exercise of their sound business judgment) that the terms of the SMBC Leases, including the payment and delivery schedules thereunder, represent the best available transactions under the circumstances (*i.e.*, the Chapter 11 Cases), but also would be commercially beneficial transactions irrespective of such circumstances. The terms of the SMBC Leases are even superior to some of the Debtors' existing leases.

14. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

15. Any delay in approval of the SMBC Motion would have a material and adverse impact on the Operating Fleet Plan and, as a result, would constitute lost value to the Debtors, their employees, their estates, and their economic stakeholders. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] as demonstrated by recent orders placed by United Airlines and GOL Airlines for hundreds of 737MAX aircraft, demand has increased substantially for 737MAX aircraft.<sup>4</sup>

16. The Debtors believe that the SMBC Leases are economically favorable to the estates. For example [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

17. Furthermore, the SMBC Leases also will create operational flexibility for the Debtors, as they will allow the Debtors to increase the long-term fleet by five state-of-the-art

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<sup>4</sup> *United Adds 270 Boeing and Airbus Aircraft to Fleet, Largest Order in Airline's History and Biggest by a Single Carrier in a Decade*, PRNEWswire (June 29, 2021), <https://www.prnewswire.com/news-releases/united-adds-270-boeing-and-airbus-aircraft-to-fleet-largest-order-in-airlines-history-and-biggest-by-a-single-carrier-in-a-decade-301321351.html>; *GOL Accelerates its Fleet Transformation from Boeing 737 NG to Boeing 737 MAX*, PRNEWswire (August 3, 2021), <https://www.prnewswire.com/news-releases/gol-accelerates-its-fleet-transformation-from-boeing-737-ng-to-boeing-737-max-301347719.html>.

aircraft (which would be in addition to the Boeing 737MAX aircraft being acquired pursuant to other transactions approved by the Court) and would position the Debtors to potentially reject other costly aircraft or equipment that are not as attractive for the long-term fleet.

18. Finally, in determining to enter into the SMBC Leases, the Debtors and their advisors presented the key terms of that transaction to the Debtors' board of directors. The Debtors also shared the Requested Analyses with the Committee and refined such Requested Analyses at the request of the Committee, all of which supported the Debtors' assertion that the Additional MAX Aircraft are beneficial to the Debtors. Furthermore, the Debtors and their advisors consulted with the respective advisors to Apollo Management Holdings, L.P. (on behalf of one or more affiliates and/or funds or separate accounts managed by it and its affiliates), the Ad Hoc Group of Senior Noteholders, and the Ad Hoc Group of Unsecured Claimholders, none of which expressed opposition to the relief requested herein. The Debtors, however, continue to discuss the relief requested herein with the advisors to the Committee, the delivery of the Requested Analyses notwithstanding.

### **Sealing Motion**

19. The Debtors are also seeking to partially redact commercially sensitive information contained herein, in the From Lease, and the Summary (the "**Confidential Information**").

20. Disclosure of the Confidential Information could reasonably be expected to cause harm to the Debtors and jeopardize their goals at a critical juncture in the Chapter 11 Cases in various ways. First, disclosing the Confidential Information would provide other aircraft counterparties insight into the Debtors' cost structure, negotiating positions, and fleet strategy. Counterparties that are currently negotiating with the Debtors over new long-term leases, some for aircraft equipment similar to the SMBC Aircraft, will insist on obtaining the most favorable



economic terms provided to any other lessor. Moreover, the Debtors anticipate further negotiations with existing equipment and aircraft counterparties (and potential new counterparties) regarding the terms of long-term lease agreements, and the Debtors' negotiating position would be harmed if equipment and aircraft counterparties know the Confidential Information. Further, if the Debtors are not successful in protecting sensitive information and commercial accommodations made by SMBC, it would hinder the Debtors' ability to enter into further agreements with, and obtain beneficial economic terms from, SMBC and other counterparties necessary to the Debtors' ongoing business.

21. Second, disclosure of the Confidential Information would provide rarely disclosed information to the Debtors' industry competitors. Given that fleet strategy is a core component of any commercial airline's business model, disclosure of this sensitive information would provide the Debtors' competitors with unique insight into the Debtors' costs and business strategy, which insight the Debtors themselves do not have respecting their competition. While this is true of the information included in the Exhibits, it is even more critical with respect to this Declaration, which contains commercially sensitive details regarding the Debtors' Operating Fleet Plan. In an already challenging marketplace, this informational asymmetry would leave the Debtors at a competitive disadvantage relative to their peers.

22. Finally, disclosure of the Confidential Information could negatively implicate the relief requested in the SMBC Motion because SMBC may be unwilling to proceed with the SMBC Leases on their current terms if it is required to publicly disclose certain highly confidential commercial terms in the context of the recent negotiations with the Debtors. SMBC is an active participant in the airline industry and seeks to ensure that it is not disadvantaged by disclosure of commercial terms in this proceeding that could be used by other customers to disadvantage it in

future business negotiations. For this reason, SMBC agrees with filing the Confidential Information under seal.

23. Importantly, the proposed redactions are limited and tailored to protect only specific information whose publication could reasonably be expected to adversely affect the Debtors' ongoing and future negotiations or competition with their peers. The narrowly-tailored nature of the redactions will serve to both minimize the quantity of redacted information while maximizing value for the Debtors' estates and economic stakeholders.

24. For the reasons set forth above, I believe that (a) the relief requested in the SMBC Motion is fair, equitable, and reasonable and represents a sound exercise of the Debtors' business judgment and (b) the Court's authorization for the Debtors to enter the SMBC Leases (i) is in the best interest of their estates and economic stakeholders and (ii) will further serve to maximize value for the benefit of all creditors. However, any delay in implementing these transactions could significantly jeopardize these benefits, and possibly the transactions themselves. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this 27<sup>th</sup> day of October, 2021  
in Castle Rock, Colorado

/s/ Matthew Landess  
Matthew Landess